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TAUNG GOLD | **TAUNG GOLD INTERNATIONAL LIMITED**
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

**SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO
VERY SUBSTANTIAL ACQUISITION –
ENGINEERING PROCUREMENT AND CONSTRUCTION CONTRACT
FOR JEANETTE GOLD PROJECT (PHASE 1)**

THE EPC CONTRACT

Reference is made to the announcement of the Company dated 30 December 2019 in relation to the EPC Contract. The Company would like to provide additional information in relation to the transactions contemplated under the EPC Contract.

THE FIRST SUPPLEMENTARY AGREEMENT

The Company hereby announces that on 20 May 2020, TGFS entered into the First Supplementary Agreement with MCC to amend certain terms of the EPC Contract.

LISTING RULES IMPLICATION

At the time of entering into the EPC Contract, as the final contract amount, date, duration and financing arrangement were not confirmed, the Directors considered that the EPC Contract was of a nature making it a preliminary agreement entered into in the ordinary and usual course of business of the Company. Accordingly, the Directors did not treat the EPC Contract as a notifiable transaction under Chapter 14 of the Listing Rules. However, after consultation with the Stock Exchange and having obtained advice from the reporting accountants and legal advisers of the Company, given that the EPC Contract is legally binding on the parties and that the cost of the EPC Contract will be capitalised in the statement of financial position of the Company, the Directors now consider that the transactions contemplated under the EPC Contract constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules and the failure to comply with the relevant requirements under Chapter 14 of the Listing Rules at the time of signing the EPC Contract constitutes a non-compliance with the Listing Rules. As the highest applicable percentage ratio for the Company as calculated under Chapter 14 of the Listing Rules in relation to the EPC Contract (as amended by the First Supplementary Agreement) exceeds 100%, the EPC Contract (as amended by the First Supplementary Agreement) constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, circular and shareholders' approval requirements under the Listing Rules.

An SGM will be convened and held to consider and, if thought fit, approve and ratify the EPC Contract (as now amended by the First Supplementary Agreement) and the transactions contemplated thereunder. In view of additional time that is required (i) to prepare for the finalisation of the Lump Sum Offer, potential financing arrangements, the entering into of the Lump Sum Offer Supplementary Agreement which is expected to take place by the end of 2020 and (ii) to finalise the content of the circular, the information required under the Listing Rules regarding the EPC Contract, the First Supplementary Agreement and the Lump Sum Offer Supplementary Agreement and the notice of the SGM is expected to be despatched to the Shareholders on or before 30 April 2021.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that such expectations will prove to have been correct. The Company cautions that actual performance may be affected by a number of factors, most of which are beyond its control and that future events and results may vary substantially from what the Company currently foresees. Factors that could cause actual results to differ materially from those in forward-looking statements include, market prices, exploitation and exploration results, continuing availability of capital and financing and general economic, market and business conditions. The forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the date of this announcement and may be subject to change thereafter.

As the EPC contract may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in its Shares.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 December 2019 in relation to the EPC Contract. The Company would like to provide additional information in relation to the transactions contemplated under the EPC Contract.

THE EPC CONTRACT

It was disclosed in the announcement of the Company dated 30 December 2019 that on 30 December 2019, the Company, through its non-wholly owned subsidiary, TGFS, the holder of the mining right over the Project registered under the MPRDA, entered into the EPC Contract with MCC with the Accepted Contract Amount being US\$521,546,000.

The principal terms of the EPC Contract are set out as follows:

Date : 30 December 2019

Parties : (1) MCC, a joint stock company established in the PRC with limited liability and principally engaged in engineering contracting, property development, equipment manufacturing, resource development and other related businesses. MCC is a company listed on the Main Board of the Stock Exchange (stock code: 1618). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, MCC and its ultimate beneficial owners are Independent Third Parties; and

(2) TGFS, a company incorporated in South Africa with limited liability, an indirect non-wholly owned subsidiary of the Company whose principal business is, among other things, exploration, development and mining of gold and associated minerals. To the knowledge of the Company, as at the date of this announcement, TGFS is wholly owned by TGL and TGL is owned as to (i) approximately 65.60% directly by the Company; (ii) approximately 24.02% directly by Sephaku Gold Holdings (Pty) Limited (“SGH”), whose principal business is investment holding and which is owned as to 100% by Arctic Sun Trading 56 (Pty) Limited (“AST”), both of which are companies incorporated in the South Africa. The shares of AST are held as to approximately 40.1% directly by Mr. Mong Seng Wu, 5% directly by Mr. Vika Khumalo and 5% directly by The Lelau Mohuba Trust and approximately 49.9% indirectly by the Company; (iii) approximately 8.4% by Electrum Strategic Exploration Ltd., a company incorporated in the Bermuda whose principal business is investment holding and whose majority beneficial owner(s) are trusts for the benefit of the family of Mr. Thomas S. Kaplan; and (iv) approximately 1.98% by Taung Gold EPP (RF) (Pty) Ltd., a company incorporated in the South Africa whose principal business is investment holding and which is owned as to approximately 50.1% directly by Taung Gold EPP Trust and approximately 49.9% indirectly by the Company.

The Works : The works for the Company's flagship Jeanette Gold Project (Phase 1) are elaborated in more details below.

Subject matter : Pursuant to the EPC Contract, (i) TGFS has agreed to engage MCC and MCC has agreed to undertake the Works on an engineering design, procurement and construction basis for the initiation, execution and completion of the Works and the remedying of any defects therein as elaborated in more details below.

The final engineering design, procurement and construction work will include the following:

- Final engineering design

including detailed engineering drawing for the shaft headgear, detailed design drawings of the mining area, beneficiation plant and tailings storage facilities, and preparation of procurement application documents for shaft hoisting equipment, shaft headgear equipment and other equipment;
- Procurement

including procurement, processing, manufacturing and transportation and access to the site of shaft hoisting equipment, shaft headgear and other equipment; and
- Construction

including construction tendering, installation of shaft headgear and shaft construction preparation, shaft extension and shaft steel structure assembling, construction of transportation ramp, transportation belt system and in-seam haulage roadway and secondary development, civil works and equipment installation and debugging of the beneficiation plant, construction of tailings storage facilities and combined commissioning without load of the whole plant.

The construction work of MCC shall include the following:

- Shaft refurbishment and equipping

refurbishment, deepening and equipping of the existing shaft No.1#, the refurbishment and equipping of the existing shaft No. 2B#, and the supply and installation of permanent winding and mining equipment and facilities;

- Establishment of underground infrastructure and facilities

including the haulage drifts, rock conveyor belts, water and electricity supply systems, communication systems, dewatering and sludge disposal systems, ventilation and refrigeration systems, monitoring systems, refuge and maintenance facilities beyond the mining area but necessary for the mining of first ore; and

- Establishment of surface infrastructure and facilities

including site power supply systems, winder houses, back-filling station, metallurgical plant, general layout transportation, site water supply and water drainage systems, site offices, change houses, temporary living facilities and other auxiliary facilities including maintenance workshop, fuel storage facilities, petrol station, warehouse, office buildings, and administrative buildings within the battery limits.

The Accepted Contract Amount : The Accepted Contract Amount is US\$521,546,000 which includes the initiation, execution and completion of the Works and the remedying of any defects therein, which shall be subject to the adjustment as stipulated in the paragraph headed “The EPC Contract – The Lump Sum Offer, the Lump Sum Offer Supplementary Agreement and the Contract Price” below.

A breakdown of the Accepted Contract Amount is as follows:

| Description | Price <i>(US\$'000)</i> |
|---|-----------------------------------|
| Construction | 261,378 |
| Equipment procurement | 107,381 |
| Installation | 37,373 |
| Other cost (including final engineering and design) | <u>115,414</u> |
| Total | <u>521,546</u> |

The Accepted Contract Amount was determined on the basis of arms' length negotiations based on (i) the Feasibility Study; (ii) the various services necessary in respect of the engineering, procurement and construction work within the Project battery limits; (iii) the prevailing market prices of the engineering, procurement and construction work of the Project; and (iv) feasibility level design and utilisation of costing information obtained from initial enquiries from suppliers of equipment and services.

The Lump Sum Offer, the Lump Sum Offer Supplementary Agreement and the Contract Price : *The Lump Sum Offer*

In order to ascertain the amount of the Lump Sum Offer to progress with the execution of the Lump Sum Offer Supplementary Agreement and the final engineering work for the Project, the Group and MCC group have agreed to commence with the Basic Design for the Project. The Basic Design will be carried out as part of the services provided by MCC group for the Feasibility Study and costs arising from the Basic Design will be covered and treated as costs arising from the Feasibility Study and do not form part of the Accepted Contract Amount nor any part of the EPC Contract. Since costs arising from the Feasibility Study are of expense nature and entered into by the Group in the ordinary course of business, the costs of the Basic Design do not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Once the Basic Design has been completed by MCC group and approved by TGFS, this Basic Design will enable MCC to compile the Lump Sum Offer. This in turn will enable the parties to negotiate the final terms of the Lump Sum Offer Supplementary Agreement, including adjustments to the Accepted Contract Amount and the final engineering work for the Project. It is expected that the Basic Design will be completed by 30 November 2020.

Basis for determining the Lump Sum Offer

Once MCC group has completed the Basic Design, it will submit this to the Group. Within 60 days of TGFS accepting the Basic Design, MCC will calculate the costs based on the agreed Basic Design and submit the Lump Sum Offer for TGFS's evaluation. The Lump Sum Offer shall detail the lump sum amount, method statement, programme, and priced bill of quantities for which MCC offers to engineer, procure and construct the Project. The parties will within 90 days after the receipt by TGFS of the Lump Sum Offer seek to agree the quantum of the Lump Sum Offer and the final terms of the Lump Sum Offer Supplementary Agreement, based on the Basic Design and the Lump Sum Offer, and thereafter enter into the Lump Sum Offer Supplementary Agreement.

The Accepted Contract Amount represents a preliminary assessment of the total cost of the Works based on the factors mentioned in the paragraph headed "The EPC Contract – the Accepted Contract Amount" above whereas the Lump Sum Offer will be made after completion of the Basic Design and will be based on this Basic Design. The Lump Sum Offer may therefore differ from the Accepted Contract Amount. Once the quantum of the Lump Sum Offer is confirmed by execution of the Lump Sum Offer Supplementary Agreement, the Accepted Contract Amount will be superseded and replaced and no longer be relevant to the EPC Contract.

The Company expects that the Lump Sum Offer will be determined on the basis of arms' length negotiations based on (i) the Basic Design; (ii) the various services necessary in respect of the final engineering design, engineering, procurement and construction work of the Project; (iii) the prevailing market prices of the engineering, procurement and construction work of the Project at the time of the signing of the Lump Sum Offer Supplementary Agreement; and (iv) feasibility level design and utilisation of costing information obtained from further enquiries from suppliers of equipment and services.

Given that the quantum of the Lump Sum Offer will be determined based on the Basic Design which has not been completed as at the date of this announcement, there is no breakdown of the Lump Sum Offer for each of the aspects of the EPC Contract. However, the Directors expect that the headings of the breakdown of the Lump Sum Offer would be similar to those of the Accepted Contract Amount as shown above.

The Lump Sum Offer Supplementary Agreement and the Contract Price

As at the date of the EPC Contract, the Accepted Contract Amount represents the Contract Price. If the parties reach agreement in writing on the Lump Sum Offer, the parties will execute the Lump Sum Offer Supplementary Agreement and the agreed quantum of the Lump Sum Offer will supersede and replace the Accepted Contract Amount to constitute the Contract Price. It is expected that the Contract Price will not vary by more than 20% of the Accepted Contract Amount.

The Board expects that the Lump Sum Offer Supplementary Agreement will constitute a material change to the terms of the EPC Contract. It is expected that not only will the consideration payable change, but there may be other terms and conditions of the EPC Contract which will need to be addressed by the parties and re-negotiated when negotiating the terms of the Lump Sum Offer Supplementary Agreement. As a result, the Lump Sum Offer Supplementary Agreement will be made conditional upon the approval of the Shareholders.

The Financial Arrangements : TGFS will seek to secure equity and debt financing for the Project relating to the EPC Contract from Independent Third Parties including but not limited to strategic investors in the gold mining and minerals sector and Chinese banks. The Company will keep the Shareholders informed of any material development in this regard in due course.

TGFS will keep MCC informed of the progress of the Financial Arrangements and, within 28 days of completion of the Financial Arrangements as will enable TGFS to pay the Contract Price, TGFS shall give notice to MCC of the reasonable evidence of the Financial Arrangements.

Performance Security : MCC shall obtain (at its own cost) a Performance Security (being 10% of the Contract Price) for the due and proper performance of its obligations within 28 days after receipt of reasonable evidence of the Financial Arrangements.

Payment terms and schedule : *Payment before the Lump Sum Offer Supplementary Agreement*

As at the date of this Announcement, no payment has been made under the EPC Contract and it is expected that the Group will not make any payment to MCC for the Project under the EPC Contract before the date of the SGM. The various payments (including the Advance Payment, the milestone payments for final engineering design services and the procurement of plant and materials and the progress payment for construction and installation activities) will be made subject to Shareholders' approval of the EPC Contract and the Lump Sum Supplementary Agreement.

Advance Payment

After signing of the Lump Sum Offer Supplementary Agreement, TGFS shall pay the Advance Payment as an interest-free loan for mobilisation and design, being 20% of the Contract Price, to MCC within 14 days after receiving the Performance Security and Advance Payment Security. The Advance Payment shall be repaid by MCC through deductions in the payment certificates as described below.

Milestone payments for final engineering design

MCC shall submit applications for milestone payments with supporting documents to the Engineer within 7 days upon the achievement of the relevant milestones for engineering design. The Engineer shall within 7 days after receiving the applications determine the amount payable to MCC and issue the payment certificates. TGFS shall pay the milestone payments within 7 days after the Engineer issues the payment certificates.

Details of milestone payments for final engineering design are set out as follows:

| Milestone | Summary of works | Percentage of payment |
|------------------|--|------------------------------|
| Upfront | MCC will assemble its team for the work and establish criteria for the design work, which will include, but not be limited to an Engineering Management Plan (“EMP”) which will include a list of designs to be completed and a list of engineering studies to be done. The plan will further include an Engineering Standard Operating Procedure (SOP) which will manage and control all installations. | 10% |

| Milestone | Summary of works | Percentage of payment |
|---|---|------------------------------|
| MCC's internal check | MCC will review all design work internally and ensure that no construction clashes will occur. The designs will be measured against the criteria set during the "Upfront" phase. The final pricing will be done during this phase by consulting with original equipment manufacturers (OEMs) and fabricators. A virtual assembly of the various works packages will be performed to ensure process flow of the proposed surface infrastructure construction, mining and the concentrator portions of the project. | 50% |
| Issued for review/ comments/ Engineer's check | During the detailed design the Engineer representing TGFS will travel to the design facility to give feedback on MCC's design. Any amendments will be discussed and agreed between the Engineer and MCC. | 10% |
| Engineer's comments incorporated | The changes emanating from the discussions between the Engineer and MCC will need to be incorporated into the designs. The result will be checked against the criteria of the EMP. | 10% |
| Issued for construction | The designs for each work package will be issued to the various equipment suppliers, material suppliers, fabricators and sub-contractors. These orders issued will consist of detailed drawings, plans, specifications and requirements for the equipment and materials required to do the work on site. | 20% |
| Total | | <hr/> <u>100%</u> |

Milestone payments for procurement of plant and materials

MCC shall submit applications for advance milestone payments to the Engineer every three months for procurement of plant and materials. In the applications MCC will set out the milestone payments which it anticipates to be incurred in the three-month period. The Engineer shall within 7 days after receiving the applications determine the amount payable to MCC and issue the payment certificates. TGFS shall pay the milestone payments within 7 days after the Engineer issues the payment certificates. At the end of each three-month period, the Engineer will reconcile the milestones achieved against the application for advance milestone payments previously submitted by MCC. Where there is a shortfall, the Engineer will instruct TGFS to pay the shortfall to MCC. When an overpayment has been made, the Engineer will instruct TGFS to set-off or make a deduction from the next payment due.

Details of milestone payments for procurement of plant and materials are set out as follows:

| Milestone | Summary of works | Percentage of payment |
|--|---|------------------------------|
| Purchase order placement or signing of supply contract | When orders are placed for mining equipment or fabrication, the work required, or the goods that need to be supplied, are usually of a once off nature and would not be readily available off the shelf. For this reason suppliers require a deposit paid by the contractor in order to start the process of fabrication or manufacture. Most manufacturers and fabricators are not prepared to carry 100% of the risk. | 30% |

| Milestone | Summary of works | Percentage of payment |
|----------------------|--|------------------------------|
| Material received | Once the fabricator receives the material for the orders, he has committed his company to the work and this is recognised as a milestone for which the company must be compensated. In most cases he cannot use the material for other work, and he expects TGFS and the contractor to share the risk. | 10% |
| Fabrication complete | Once the fabrication of equipment or structures have been completed, the fabricator will be entitled to payment as TGFS and/or the contractor cannot expect the fabricator's business to carry the costs of the goods until installation. | 20% |
| Final inspection | The contractor will perform the final inspection. In some cases TGFS's Engineer will accompany the contractor. The contractor will compare the finished product with the order placed and confirm that the design criteria has been adhered to. | 10% |
| Packed and shipped | This payment will be made for the costs of the packaging, labour and materials and for the cost of road and marine transport within and from PRC. | 10% |
| Delivery to site | These costs would include the port cost, the transport and supervision costs to site, as well as the carnage costs to offload the goods on site. | 10% |

| Milestone | Summary of works | Percentage of payment |
|------------------|--|------------------------------|
| Installed | Once the equipment and/or fabricated units reach site, installation will take place. When the Engineer is satisfied with the work, the contractor will be compensated for the work according to the agreed amount. | 5% |
| Retention money | By now the contractor has been paid 95% of the monies agreed for each piece of equipment installed. In order for the Engineer to make repairs or any alterations to the works within the agreed retention period, 5% of the full sum is retained to finance such repairs, at the cost of the contractor. Should no alterations or repairs be required, the contractor will be paid these fees after an agreed period has lapsed. | 5% |
| Total | | <hr/> <u>100%</u> |

Progress payment for construction and installation activities

MCC shall submit a statement showing details of the amounts to which MCC considers itself to be entitled with supporting documents to the Engineer within 10 days after the agreed cut-off date for payment (which is the 20th day of each month) to the Engineer. The Engineer shall within 5 days after receiving the statement issued to TGFS review such statement and prepare and authorise an interim payment certificate and TGFS shall pay the amount certified in the interim payment certificate by the 20th of the following month.

Final payment

Within 28 days after the expiry of the Defects Notification Period or within 14 days after MCC has completed and tested all the Works including remedying any defects (whichever is later), the Engineer shall issue the performance certificate. Within 56 days after receiving the performance certificate, MCC shall submit an application for a final payment certificate with supporting documents showing the value of work done and any further sums due to MCC. TGFS shall pay the final payment within 14 days after TGFS receives the final payment certificate from the Engineer.

Date of commencement of work : Pursuant to the EPC Contract, MCC shall commence the Works after the following conditions have been fulfilled and MCC receives the notice to proceed to commence Works from the Engineer:

- (a) delivery to MCC of reasonable evidence of the Financial Arrangements; and
- (b) receipt by MCC of the Advance Payment against the provision of Performance Security and Advance Payment Security.

Pursuant to the First Supplementary Agreement, the EPC Contract (as amended by the First Supplementary Agreement) is subject to the Shareholders' approval. Please refer to the paragraph headed "the First Supplementary Agreement – Conditions Precedent" for details. The Lump Sum Offer Supplementary Agreement will also be made conditional upon the Shareholders' approval at the SGM.

Time for completion of the Works : 57 months from the date of commencement of work and subject to adjustments due to variation of the Works, exceptionally adverse climate conditions, unforeseeable shortage of labour or delay caused by TGFS.

The Works are expected to be completed in September 2025.

- Defects Notification Period** : 52 weeks from the date on which the Works or Section are completed.
- Termination** : *Termination due to the Lump Sum Offer Supplementary Agreement not being executed*

If the Lump Sum Offer Supplementary Agreement is not executed by the parties within a period of 90 days after MCC's submission of the Lump Sum Offer to TGFS, the EPC Contract will terminate. Neither party shall be liable to the other for any cost, loss, damage or expense arising out of or in connection with the EPC Contract, except for any amounts agreed upon in writing as being payable to MCC for the works (if any) carried out by MCC prior to the date of termination of the EPC Contract. TGFS understands that MCC will not carry out any Works under the EPC Contract prior to termination of the EPC Contract and such understanding is confirmed under the First Supplementary Agreement. Please refer to the paragraph headed "the First Supplementary Agreement – Termination" for details. The carrying out of Works under the EPC Contract and the payment of any costs to MCC under the EPC Contract will be subject to the approval by the Shareholders of the EPC Contract and the Lump Sum Offer Supplementary Agreement.

Termination due to failure to perform by TGFS or MCC

Further, the EPC Contract may be terminated by TGFS if MCC fails to perform its obligations therein including providing the Performance Security or proceeding with the Works, or by MCC if TGFS fails to perform its obligations therein including providing reasonable evidence of Financial Arrangements. If the EPC Contract is terminated by TGFS due to default of MCC, MCC shall compensate TGFS for any loss and damage incurred by TGFS and pay to TGFS the extra costs of completing the Works after deducting any sum due to MCC for any works done by MCC before termination. On the other hand, if the EPC Contract is terminated by MCC due to the default of TGFS, TGFS shall return the Performance Security to MCC, pay for the works done by MCC before termination and compensate MCC for any loss of profit or other loss or damage sustained by MCC as a result of the termination.

THE FIRST SUPPLEMENTARY AGREEMENT

On 20 May 2020, TGFS entered into the First Supplementary Agreement with MCC to amend certain terms of the EPC Contract.

The principal terms of the First Supplementary Agreement are set out as follows:

- Date** : 20 May 2020
- Parties** : (1) MCC; and
(2) TGFS
- Termination** : TGFS and MCC confirmed that MCC will not carry out any Works under the EPC Contract prior to the expiry of the period of 90 days after submission of the Lump Sum Offer.
- Payment under the EPC Contract** : TGFS and MCC confirmed that TGFS has no legal obligation to pay any costs to MCC (including the Accepted Contract Amount) under the EPC Contract before the parties execute the Lump Sum Offer Supplementary Agreement.
- Conditions Precedent** : TGFS and MCC agreed that the EPC Contract (as amended by the First Supplementary Agreement) and the Lump Sum Offer Supplementary Agreement shall be made subject to the approval by the Shareholders.
- The Basic Design** : The parties clarified and confirmed that the Basic Design works are not part of the EPC Contract and will be carried out as part of the services provided by MCC group for the Feasibility Study.

THE PROJECT

The Project is located close to the town of Welkom, 270km south-west of Johannesburg, in the Free State Province of South Africa. The Project was acquired from ARMGold/Harmony Freegold Joint Venture Company (Pty) Limited, in December 2009. The Mining Right over the project area was registered in the name of TGFS in the Mineral and Petroleum Titles Registration Office on 6 December 2017. The Project is located in an established gold producing region in close proximity to road, power and water & sanitation infrastructure and

is well served with other necessary services. The Project is comprised of the following:

- Existing vertical shaft infrastructure that will be rehabilitated and extended to access the Mineral Resource and Reserve;
- Construction of a metallurgical processing plant that will treat all underground ore and produce gold doré bars of 80-90% purity for refining into 99.99% purity bullion at the Rand Refinery Limited; and
- Establishment and construction of the associated infrastructure required to support operations and enable disposal of waste materials in accordance with internationally accepted standards.

Feasibility Study

On 28 April 2019, the Company entered into a service contract with MCCI to carry out the Feasibility Study and on 30 August 2019, the Company made an announcement in relation to the results of the Feasibility Study. The highlights from the results of the Feasibility Study are as follows:

Jeanette Project Feasibility Study Highlights – Phase 1

| | |
|---|--------------|
| Gold Recovered over Life of Project | 2.89Moz |
| Initial Construction Capital Cost Estimate | US\$523.5m |
| Total Capital Cost over Life of Project | US\$646.6m |
| Capital Efficiency | US\$4,017/oz |
| After-tax Net Present Value at 5% Discount rate | US\$509.9m |
| After-tax Internal Rate of Return | 14.1% |
| Life of Mine | 22 Years |
| Payback | 8.7 years |
| Cash Operating Costs | US\$471/oz |
| Profit Margin | 46.2% |
| All In Sustaining Costs | US\$666/oz |
| All In Costs | US\$694/oz |

Notes:

1. *Financials calculated using a gold price of \$1,290/oz and/or an exchange rate of US\$1.00 = ZAR14.00.*
2. *Capital efficiency is calculated as total capital cost divided by average annual gold production over the production life of mine.*
3. *Payback is calculated from date of first production.*

The Indicated Block Model results for the Jeanette Project area

| Resource Classification | Tonnes <i>(Mt)</i> | In situ Grade <i>(g/t)</i> | Gold Content <i>(kg)</i> | Gold Content <i>(Moz)</i> |
|--------------------------------|------------------------------|--|--|---|
| Indicated | 18.058 | 20.80 | 375,673 | 12.078 |

Please refer to the announcement of the Company dated 30 August 2019 for further details of the results of the Feasibility Study.

REASONS FOR THE EPC CONTRACT

The Group is principally engaged in investment holding, trading of minerals and exploration, development and mining of gold and associated minerals in South Africa.

As disclosed in the annual report for the year ended 31 March 2019 of the Company, the major gold producers recently sought to maintain and boost their gold endowments and production profiles through merger and acquisition activity. Depletion of resources and reserves continues to outstrip the discovery of new deposits and construction of new mines, driving merger and acquisition activity. The timeline from commencement of greenfield exploration through to first production is typically well over 10 years and often more than 15 years, further demonstrating the resource and reserve quandary facing the industry. As such, there is sufficient evidence to demonstrate that a sustained transformation of the gold mining industry is underway. This bodes well for the Company's assets and should also impact positively on the gold price. The following facts further illustrate this belief: (i) global gold production continued at a level of over 3,300 tons in 2018, continuing at almost double the level of the late 1980's, 40% higher than in 2008 and is expected to set a new record of close to 3,500 tons in 2019; (ii) the few large deposits that have been discovered in the last couple of decades are in increasingly remote locations and face significant infrastructural and environmental challenges; and (iii) the trend over the past few decades towards open-pit mining must reverse as existing open-pit operations transition to underground mining in order to access their deeper reserves and as the depth of discovery of any new deposits continues to increase.

The Company's South African assets are therefore quite unique in global terms in that they are high grade and host substantial resources of gold. In addition, they are located in very well-established gold producing regions in the world-renowned Witwatersrand Basin, each enjoying close proximity to the required infrastructure and services and the comfort of SAMREC-compliant Mineral Resources and Reserves. Furthermore, as a result of the extensive design, engineering and economic feasibility work done in the past few years, it is anticipated that the projects will each deliver significant annual production profiles with All-In Sustaining Costs below US\$600 per ounce of gold, in the lowest quartile of the industry cost curve.

The Company appointed MCCI to carry out the Feasibility Study and the results were announced on 30 August 2019. During the early stages of the Project feasibility work, the Company and MCCI adopted a phased approach for the execution of the Project in order to reduce the capital funding required and the construction lead-time to first production. This is fundamental to how potential investors and finance providers view large scale gold projects and, more specifically, their appetite to commit funds towards the development of projects. The phased approach for the Project resulted in an execution plan with two phases, with the Feasibility Study being focused on the first of these phases and targeting optimal use of the existing shaft infrastructure to reduce costs and expedite the construction time to first production. The Company now turns its attention to the construction for the Project and discussions with potential equity investors and project finance providers.

The Directors consider that entering into of the EPC Contract will enable TGFS to advance the Project into construction and ultimately into production and, in doing so, facilitate the transition of the Group from being a gold project developer into a gold producer. TGFS will seek to secure equity and debt financing for the EPC Contract from Independent Third Parties including but not limited to strategic investors in the mining sector and Chinese banks. If the Financial Arrangements are not obtained or if TGFS does not accept the Lump Sum Offer, the EPC Contract will not proceed.

In light of the above, the Directors consider that the terms and conditions of the EPC Contract are fair and reasonable and that the entering into of the EPC Contract is in the interest of the Company and the Shareholders as a whole. The entering into of the EPC Contract is therefore a significant and necessary step to transform the Company into a gold producer, in accordance with its long-stated objective.

LISTING RULES IMPLICATION

At the time of entering into the EPC Contract, as the final contract amount, date, duration and financing arrangement were not confirmed, the Directors considered that the EPC Contract was of a nature making it a preliminary agreement entered into in the ordinary and usual course of business of the Company. Accordingly, the Directors did not treat the EPC Contract as a notifiable transaction under Chapter 14 of the Listing Rules. However, after consultation with the Stock Exchange and obtaining advice from the reporting accountants and legal advisers of the Company, given that the EPC Contract is legally binding on the parties and that the cost of the EPC Contract will be capitalised in the statement of financial position of the Company, the Directors now consider that the transactions contemplated under the EPC Contract constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio for the Company as calculated under Chapter 14 of the Listing Rules in relation to the EPC Contract (as amended by the First Supplementary Agreement) exceeds 100%, the EPC Contract (as amended by the First Supplementary Agreement) constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, circular and shareholders' approval requirements under the Listing Rules.

An SGM will be convened and held to consider and, if thought fit, approve and ratify the EPC Contract (as now amended by the First Supplementary Agreement) and the transactions contemplated thereunder. In view of additional time that is required (i) to prepare for the finalisation of the Lump Sum Offer, potential financing arrangements, the entering into of the Lump Sum Offer Supplementary Agreement which is expected to take place by the end of 2020 and (ii) to finalise the content of the circular, the information required under the Listing Rules regarding the EPC Contract, the First Supplementary Agreement and the Lump Sum Offer Supplementary Agreement and the notice of the SGM is expected to be despatched to the Shareholders on or before 30 April 2021.

The failure to comply with the relevant requirements under Chapter 14 of the Listing Rules at the time of signing the EPC Contract constitutes a non-compliance with the Listing Rules. To prevent the occurrence of a similar event in the future, the Directors will consult the Company's legal advisers and reporting accountants when it is going to enter into any contract that may possibly constitute a notifiable transaction of the Company, having assessed the highest applicable percentage ratio for the Company as calculated under Chapter 14 of the Listing Rules.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that such expectations will prove to have been correct. The Company cautions that actual performance may be affected by a number of factors, most of which are beyond its control and that future events and results may vary substantially from what the Company currently foresees. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration results, continuing availability of capital and financing and general economic, market and business conditions. The forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the date of this announcement and may be subject to change thereafter.

As the EPC contract may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in its Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

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| “Accepted Contract Amount” | has the meaning ascribed thereto in the paragraph headed “The EPC Contract – The Accepted Contract Amount” |
| “Advance Payment” | has the meaning ascribed thereto in the paragraph headed “The EPC Contract – Payment terms and schedule – Advance Payment” |
| “Advance Payment Security” | a guarantee in an amount equal to the Advance Payment issued by an entity approved by TGFS |
| “Basic Design” | the basic engineering design to be carried out by MCC for the Project which shall be sufficient to enable MCC to obtain quotations for the Works and submit the Lump Sum Offer |
| “Board” | the board of Directors |

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| “Company” | Taung Gold International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Contract Price” | has the meaning ascribed thereto in the paragraph headed “The EPC Contract – The Lump Sum Offer, the Lump Sum Offer Supplementary Agreement and the Contract Price” |
| “Defects Notification Period” | has the meaning ascribed thereto in the paragraph headed “The EPC Contract – Defects Notification Period” |
| “Director(s)” | the director(s) of the Company |
| “Engineer” | the person(s) appointed by TGFS to act as the engineer(s) for the purposes of the EPC Contract |
| “EPC Contract” | the engineering procurement and construction contract for the Project entered into between TGFS and MCC dated 30 December 2019 |
| “Feasibility Study” | the feasibility study of the Project |
| “Financial Arrangements” | has the meaning ascribed thereto in the paragraph headed “The EPC Contract – The Financial Arrangements” |
| “g/t” | gram per tonne |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company |

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| “kg” | kilogram |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Lump Sum Offer” | the lump sum offer to be provided by MCC which shall detail the lump sum amount, method statement, programme, and priced bill of quantities for which MCC offers to engineer, procure and construct the Project |
| “Lump Sum Offer Supplementary Agreement” | the supplementary agreement to be entered into between TGFS and MCC to confirm the Contract Price and other terms |
| “m” | metres |
| “MCC” | Metallurgical Corporation of China Ltd (中國冶金科工股份有限公司), a joint stock company established in the PRC with limited liability |
| “MCCI” | MCC International Incorporation Limited, a subsidiary of MCC |
| “Moz” | million ounce |
| “MPRDA” | Mineral and Petroleum Resources Development Act No. 28 of 2022 (South Africa) |
| “Mt” | million tonnes |
| “oz” | ounce |
| “Performance Security” | has the meaning ascribed thereto in the paragraph headed “The EPC Contract – Performance Security” |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Project” | the flagship Jeanette Gold Project (Phase 1) of the Company |

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| “SAMREC” | the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007 edition) as amended from time to time |
| “Section” | a part of the Works specified in the EPC Contract as a section which is to be agreed between TGFS and MCC (if any) |
| “SGM” | a special general meeting of the Company to be held and convened to consider and, if though fit, to approve by the Shareholders, among other, the EPC Contract and the transactions contemplated thereunder |
| “Share(s)” | ordinary share(s) of par value HK\$0.01 each in the issued share capital of the Company |
| “Shareholder(s)” | the registered holder(s) of the Share(s) |
| “South Africa” | the Republic of South Africa |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “TGFS” | Taung Gold Free State (Pty) Limited, a company incorporated in South Africa with limited liability, an indirect non-wholly owned subsidiary of the Company |
| “TGL” | Taung Gold (Pty) Limited, a company incorporated in South Africa with limited liability, a non-wholly owned subsidiary of the Company |
| “United States” | United States of America |
| “US\$” | United States dollars, the lawful currency of the United States |
| “Works” | the works for the Project on an engineering, procurement and construction basis |
| “ZAR” or “R” | South African Rand, the lawful currency of the Republic of South Africa |

“%”

per cent

By Order of the Board
Taung Gold International Limited
Cheung Pak Sum
Co-chairman

Hong Kong, 20 May 2020

As at the date of this announcement, the executive Directors are Mr. Christiaan Rudolph de Wet de Bruin (Co-chairman), Ms. Cheung Pak Sum (Co-chairman), Mr. Neil Andrew Herrick (Chief Executive Officer) and Mr. Phen Chun Shing Vincent; and the independent non-executive Directors are Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang.

* *For identification purpose only*