

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Taung Gold International Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSALS FOR
(1) GRANT OF NEW PUT OPTIONS TO TG OPTIONHOLDERS
(2) GRANT OF NEW SA PUT OPTIONS
TO SOUTH AFRICAN SHAREHOLDERS
(3) GRANT AND POSSIBLE EXERCISE OF CALL OPTIONS
(4) ISSUE OF SHARES UNDER SPECIFIC MANDATE
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the Special General Meeting of Taung Gold International Limited to be held at Unit 1901, 19/F, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong on 21 November 2014, Friday, at 11:00 a.m. is set out on pages 70 to 74 of this circular. A form of proxy for use at the Special General Meeting is also enclosed.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 22 Level, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent members from attending and voting at the meeting if they so wish.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2011 Exchange Rate”	the conversion of amounts denominated in HK\$ into ZAR at the rate of HK\$1.00 = ZAR1.02564
“2011 SGM”	Special General Meeting of the Company dated 19 August 2011
“Acquisition”	the acquisition of up to 86.966% of the issued share capital of Taung Gold subject to the terms set out in the conditional sale and purchase agreement dated 28 January 2011 (as amended on 22 March 2011 and 22 July 2011), the details of which are set out in the Circular
“Additional SA First Refusal Right Consideration Shares”	up to 229,461,591 new Shares in excess of the GoldCom Consideration Shares to be issued by the Company at the Issue Price as consideration for the full exercise of the SA First Refusal Right at up to the Maximum Share Exchange Ratio by the Company
“Arctic”	Arctic Sun Trading 56 (Pty) Ltd.
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“BEE Requirement”	the requirement that Taung Gold, being a company primarily engaged in the exploration and/or development of mineral resources in South Africa, must have at least 26.0% of its shareholding beneficially owned either directly by historically disadvantaged South Africans or by Qualified BEE Company(ies)
“Board”	the board of Directors
“Call Options”	the SA Call Options and the TG Call Options
“Change of Control”	when any person or persons, acting together, acquires Control (directly or indirectly) of the Company
“Circular”	the circular of the Company dated 28 July 2011 in relation to, among other things, the Acquisition
“Company”	Taung Gold International Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning as defined in the Listing Rules

DEFINITIONS

- “Connected South African Shareholders” means (i) Mr. Christiaan Rudolph de Wet de Bruin and Mr. Neil Andrew Herrick, who are current Directors of both the Company and Taung Gold; (ii) Mr. Stefanus David Steyn, who is a current director of Taung Gold and a former Director of the Company; (iii) Dr. Lelau Mohuba, Mr. Neil Robus Crafford-Lazarus and Mrs. Sonja Hester Rosser, who are current directors of Taung Gold; and (iv) the associates of Mr. Christiaan Rudolph de Wet de Bruin and Dr. Lelau Mohuba
- “Connected TG Optionholders” means (i) Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick and Mr. Igor Levental, who are current Directors of both the Company and Taung Gold; (ii) Mr. Stefanus David Steyn, who is a current director of Taung Gold and former Director of the Company; (iii) Dr. David Twist, who is a former director of the Company; and (iv) Dr. Lelau Mohuba and Mrs. Sonja Hester Rosser, who are current directors of Taung Gold
- “Connected Transactions” the grant of the New TG Optionholder Put Options to the Connected TG Optionholders (including the possible exercise of the TG First Refusal Right), the grant of the New SA Put Options to the Connected South African Shareholders (including the possible exercise of the SA First Refusal Right) and the Possible Exercise of the Call Options granted by the Connected South African Shareholders and the Connected TG Optionholders and the transactions contemplated thereunder
- “Control” means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Company, or the right to control or direct, directly or indirectly, the appointment and/or removal of the majority of the board or the majority of any other executive body or to control or direct, directly or indirectly, any decision making process or the management of the Company. For the purpose of determining whether a person or persons, acting together, has/have “Control” or has/have acquired “Control” over the Company under this definition, the number of GoldCom Consideration Shares and the Possible Exercise Consideration Shares that may be sold to third party investor(s) upon full or partial exercise by the Company of the Call Options, shall be regarded as “Controlled” (which shall be deemed to be completed) by such person or persons
- “Director(s)” the director(s) of the Company

DEFINITIONS

“First Completion”	the first completion of the Acquisition which took place on 8 September 2011
“First Refusal Right”	the TG First Refusal Right and the SA First Refusal Right
“First Refusal Right Consideration Shares”	the aggregate of the Additional SA First Refusal Right Consideration Shares and the TG First Refusal Right Consideration Shares
“GoldCom”	Gold Commercial Services Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, whose principal business activities consist of investment holding and related activities
“GoldCom Consideration Shares”	1,130,141,116 existing Shares issued by the Company to GoldCom at the Issue Price in connection with the Acquisition on 8 September 2011
“Group”	the Company and its Subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Walter Thomas Segsworth, established to advise the Independent Shareholders on the Connected Transactions
“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Connected Transactions
“Independent Shareholders”	(i) in respect of the grant of the New TG Optionholder Put Options and the possible exercise of the TG First Refusal Right (Shareholders other than the Connected TG Optionholders and their respective associates); (ii) in respect of the grant of the New SA Put Options and the possible exercise of the SA First Refusal Right (Shareholders other than the Connected South African Shareholders and their respective associates); and (iii) in respect of the Possible Exercise (Shareholders other than the Connected South African Shareholders and the Connected TG Optionholders and their respective associates)

DEFINITIONS

“Issue Price”	HK\$0.41 per Share
“Last Trading Day”	4 September 2014, being the last trading day of the Shares immediately prior to the date of the New TG Optionholder Agreements and the New SA Put Option Agreements
“Latest Practicable Date”	31 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note”	the loan note having a principal amount of HK\$519,865,000 issued by GoldCom to the Company in consideration for the issue of new Shares in connection with the Acquisition
“Maximum Share Exchange Ratio”	the ratio of 64.209994221 Shares for every 1 (one) TG Share
“Member(s)” or “Shareholder(s)”	the holder(s) of Share(s) of the Company
“MPRDA”	the Mineral and Petroleum Resources Development Act of South Africa (28 of 2002)
“New Put Option Consideration Shares”	means up to 1,262,020,649 new Shares to be issued by the Company at the Issue Price as consideration for the exercise of the New TG Optionholder Put Options by the TG Optionholders
“New SA Put Options”	the put options granted to each of the South African Shareholders to sell TG Shares under the New SA Put Option Agreements
“New SA Put Option Agreements”	the agreements dated 5 September 2014 entered into between each South African Shareholder, GoldCom, Taung Gold and the Company in relation to the grant of the New SA Put Options (including the SA First Refusal Right) and the grant of the SA Call Options
“New TG Optionholder Agreements”	the agreements dated 5 September 2014 entered into between each of the TG Optionholders, GoldCom, Taung Gold and the Company in relation to the grant of the New TG Optionholder Put Options (including the TG First Refusal Right) and the grant of the TG Call Options

DEFINITIONS

“New TG Optionholder Put Options”	the put options granted to each of the TG Optionholders by the Company or GoldCom to sell up to 100% of the TG Shares that maybe acquired upon full exercise of the TG Options by the TG Optionholders under the New TG Optionholder Agreements
“Offer Price”	the offer price per Share offered by any person or persons, acting together, by which such person or persons acquires Control (directly or indirectly) of the Company
“Possible Exercise”	the possible exercise of the Call Options by the Company
“Possible Exercise Consideration Shares”	means up to 1,262,020,649 new Shares to be issued by the Company to the TG Optionholders as consideration for the full exercise of the TG Call Options by the Company
“Qualified BEE Company”	a company controlled by historically disadvantaged South Africans
“SA Call Options”	the options granted by each of the South African Shareholders to the Company to acquire the SA TG Shares pursuant to the New SA Put Option Agreements
“SA First Refusal Right”	the right granted by the South African Shareholders to the Company under the New SA Put Options that requires the relevant South African Shareholder to first offer his/her TG Shares to the Company before he/she can sell those TG Shares to a third party. The details of the SA First Refusal Right are set out in the paragraph headed “Grant of New SA Put Options — Other Material terms of the New SA Put Options Agreements” in the letter from the board of this circular
“SA First Refusal Right Consideration Shares”	the GoldCom Consideration Shares and the Additional SA First Refusal Right Consideration Shares
“SA Put Option Agreements”	the agreements entered into on or prior to 8 September 2011 by each South African Shareholder, the Company, GoldCom and Taung Gold pursuant to which the Company conditionally agreed to grant a right to the relevant South African Shareholders to sell their TG Shares through GoldCom
“SA Put Options”	the rights granted to each of the South African Shareholders to sell their TG Shares under the SA Put Option Agreements

DEFINITIONS

“SA TG Shares”	21,174,316 TG Shares held by the South African Shareholders as at the date of the New SA Put Option Agreements
“SepGold”	Sephaku Gold Holdings Limited
“SGM”	the special general meeting of the Company to be convened to approve the matters referred to herein
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Exchange Ratio”	means the ratio of 53.37320537 Shares to exchange for every 1 (one) TG Share
“Shareholders”	the holders of the Shares
“South Africa”	the Republic of South Africa
“South African Shareholders”	those shareholders of Taung Gold who are residents of South Africa
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders to allot and issue (i) the New Put Option Consideration Shares; (ii) the First Refusal Right Consideration Shares; and (iii) the Possible Exercise Consideration Shares at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary for the time being of the Company (within the meaning of Section 2 of the Companies Ordinance), whether incorporated in Hong Kong or elsewhere
“Taung Gold” or “TGL”	Taung Gold (Proprietary) Limited, a principal subsidiary of the Company
“TG Call Options”	the options granted by each of the TG Optionholders to the Company to acquire the TG Optionholder TG Shares pursuant to the New TG Optionholder Agreements

DEFINITIONS

“TG First Refusal Right”	the right granted by the TG Optionholders to the Company under the New TG Optionholder Put Options that requires the relevant TG Optionholder to first offer his/her TG Shares to the Company before he/she can sell those TG Shares to a third party. The details of the TG First Refusal Right are set out in the paragraph headed “Grant of New TG Optionholder Put Options — TG First Refusal Right” in the letter from the board of this circular
“TG First Refusal Right Consideration Shares”	up to 1,518,258,797 new Shares to be issued by the Company at the Issue Price as consideration for the full exercise of the TG First Refusal Right at up to the Maximum Share Exchange Ratio by the Company
“TG Optionholder(s)”	holder(s) of outstanding options in Taung Gold which entitle the TG Optionholder to acquire TG Shares
“TG Optionholder Agreement(s)”	optionholder agreements entered into between each of the TG Optionholders, GoldCom, Taung Gold and the Company on or before 8 September 2011
“TG Optionholder Put Options”	the rights granted by the Company or GoldCom to the TG Optionholders to sell 80% of the TG Shares that maybe acquired (upon exercise of their options to subscribe for TG Shares) by the TG Optionholders under the TG Optionholder Agreements
“TG Optionholder TG Shares”	the TG Shares that will be legally and beneficially held by the TG Optionholders upon full exercise of the TG Options
“TG Options”	the 23,645,210 options granted by Taung Gold to the TG Optionholders to subscribe for TG Shares
“TG Shares”	ordinary shares of ZAR0.001 each in the issued share capital of Taung Gold from time to time
“Transactions”	means the grant of the New TG Optionholder Put Options (including the possible exercise of the TG First Refusal Right), the grant of the New SA Put Options (including the possible exercise of the SA First Refusal Right) and the Possible Exercise of Call Options

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“ZAR”	South African rands, the lawful currency of the Republic of South Africa
“%”	per cent

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

Executive Directors:

Mr. Li Hok Yin (*Co-chairman*)
Mr. Christiaan Rudolph de Wet de Bruin (*Co-chairman*)
Mr. Neil Andrew Herrick (*Chief Executive Officer*)
Ms. Cheung Pak Sum
Mr. Igor Levental

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-Executive Directors:

Mr. Chui Man Lung, Everett
Mr. Li Kam Chung
Mr. Walter Thomas Segsworth

Principal Place of Business:

Unit 1901, 19th Floor
Nina Tower
8 Yeung Uk Road
Tsuen Wan
New Territories
Hong Kong

4 November 2014

To the Shareholders

Dear Sir or Madam,

PROPOSALS FOR
(1) GRANT OF NEW PUT OPTIONS TO TG OPTIONHOLDERS
(2) GRANT OF NEW SA PUT OPTIONS
TO SOUTH AFRICAN SHAREHOLDERS
(3) GRANT AND POSSIBLE EXERCISE OF CALL OPTIONS
(4) ISSUE OF SHARES UNDER SPECIFIC MANDATE
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to provide you with notice of the Special General Meeting and information on matters to be dealt with at the Special General Meeting. They are: (a) Grant of New Put Options to TG Optionholders (including the possible exercise of the TG First Refusal Right); (b) Grant of New SA Put Options to South African Shareholders (including the possible exercise of the SA First Refusal Right); (c) Grant and Possible Exercise of Call Options; (d) Issue of Shares under Specific Mandate; (e) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Connected

* *For identification purposes only*

LETTER FROM THE BOARD

Transactions; (f) a letter of advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transactions and; (g) a notice of the Special General Meeting.

1. BACKGROUND

Reference is made to the Company's announcement dated 5 September 2014 in relation to the Transactions and reference is also made to the Circular of the Company dated 28 July 2011 in relation to, among other things, the very substantial acquisition of up to 86.966% of Taung Gold. As disclosed in the Circular, in connection with the Acquisition, (i) GoldCom, Taung Gold and the Company entered into the SA Put Option Agreements with each South African Shareholder; and (ii) GoldCom, Taung Gold and the Company would enter into the TG Optionholder Agreements with each TG Optionholder. The SA Put Options were granted under the relevant SA Put Option Agreements for a period of three years from 8 September 2011 and have expired on 7 September 2014. Further, as disclosed in the Circular, the TG Optionholders are holders of the TG Options and the TG Optionholder Put Options granted the TG Optionholders the right to sell a maximum number of 18,916,168 TG Shares (representing 80% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company for a maximum of new 1,009,616,519 Shares or cash.

The TG Optionholder Put Options have expired on 7 September 2014 and none of the TG Optionholder Put Options have been exercised before they expired. On 5 September 2014, the Company, GoldCom and Taung Gold have entered into the New TG Optionholder Agreements with each of the TG Optionholders and pursuant to the agreements, the Company has granted the TG Optionholders the right to sell a maximum number of 23,645,210 TG Shares (representing the full 100% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company through GoldCom during the period commencing from the date upon which the conditions under the New TG Optionholder Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016 for a maximum of 1,262,020,649 New Put Option Consideration Shares at the Issue Price or cash. Under the New TG Optionholder Agreements, the TG Optionholders have also granted the Company the TG First Refusal Right and the TG Call Options to acquire the TG Optionholder TG Shares.

Similarly, the SA Put Options have expired on 7 September 2014 and none of the SA Put Options have been exercised before they expired. On 5 September 2014, the Company, GoldCom and Taung Gold also entered into the New SA Put Option Agreements with the South African Shareholders to grant the South African Shareholders the right to sell a maximum number of 21,174,316 TG Shares to the Company through GoldCom during the period commencing from the date upon which the conditions under the New SA Put Option Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016. Under the New SA Put Option Agreements, the South African Shareholders have also granted the Company the SA First Refusal Right and the SA Call Options to acquire the SA TG Shares.

LETTER FROM THE BOARD

1. Grant of the New TG Optionholder Put Options (including the TG First Refusal Right) and Grant of the TG Call Options under the New TG Optionholder Agreements

On 5 September 2014, the Company, GoldCom and Taung Gold entered into the New TG Optionholder Agreements with each of the TG Optionholders and pursuant to the agreements, the Company has granted each of the TG Optionholders the right to sell a maximum number of 23,645,210 TG Shares (representing the full 100% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company or GoldCom for a maximum of 1,262,020,649 New Put Option Consideration Shares at the Issue Price or cash (by way of on-market sale of New Put Option Consideration Shares by GoldCom for cash proceeds to the TG Optionholders) during the period commencing from the date upon which the conditions under the New TG Optionholder Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016. Further, each of the TG Optionholders has granted the TG First Refusal Right and the TG Call Options to the Company under the New TG Optionholder Agreements.

The TG Optionholders include (i) Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick and Mr. Igor Levental, who are current Directors of both the Company and Taung Gold; (ii) Mr. Stefanus David Steyn, who is a current director of Taung Gold and former Director of the Company; (iii) Dr. David Twist, who is a former director of the Company; (iv) Dr. Lelau Mohuba and Mrs. Sonja Hester Rosser, who are current directors of Taung Gold (collectively, the “**Connected TG Optionholders**”); and (v) other Independent Third Parties. Therefore, the Connected TG Optionholders are connected persons of the Company under the Listing Rules. The following table sets forth the number of TG Options held by the TG Optionholders:

Name of TG Optionholders	Number of TG Options held
Mr. Christiaan Rudolph de Wet de Bruin	1,701,210
Mr. Neil Andrew Herrick	2,015,000
Mr. Igor Levental	765,000
Mr. Stefanus David Steyn	1,473,000
Dr. David Twist	1,203,000
Dr. Lelau Mohuba	378,000
Mrs. Sonja Hester Rosser	326,000
Independent third parties	<u>15,784,000</u>
Total	<u><u>23,645,210</u></u>

LETTER FROM THE BOARD

The TG Options held by the TG Optionholders shall expire as follows:

Round	Expiration date	Number of options
Round 1	1 June 2015	6,737,312
Round 2	1 July 2015	6,238,000
Round 3	1 September 2015	7,964,737
Round 4	1 November 2015	2,705,161

Grant of the New TG Optionholder Put Options

The key terms of the New TG Optionholder Put Options are substantially the same as the TG Optionholder Put Options (except for the exercise period) which are summarised as follows:

Consideration:	The consideration payable by each TG Optionholder to each of the Company and GoldCom for the grant of the New TG Optionholder Put Option is ZAR1.00 (approximately HK\$0.73).
Exercise Period:	The New TG Optionholder Put Options may be exercised at any time during the period commencing from the date upon which the conditions under the New TG Optionholder Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016
Exercise of the New TG Optionholder Put Options:	Following the exercise of the TG Options, the TG Optionholder may exercise the New TG Optionholder Put Options by means of a share exchange or an “on-market sale” as described in the New TG Optionholder Agreements.

LETTER FROM THE BOARD

Share exchange and
on-market sale:

As most of the TG Optionholders are residents of South Africa, certain restrictions regarding foreign investments will apply to them. Accordingly, only the on-market sale mechanism will be made available to these South African-resident TG Optionholders. Under this mechanism, the TG Optionholders will transfer the TG Shares to the Company through GoldCom in consideration for the issue of a corresponding number of New Put Option Consideration Shares at the Share Exchange Ratio. Those New Put Option Consideration Shares will be sold on-market by GoldCom and the proceeds will be remitted to the TG Optionholders via an escrow agent.

If a TG Optionholder is not a resident of South Africa, he may sell his TG Shares directly to the Company and the Company will issue a corresponding number of New Put Option Consideration Shares to such TG Optionholder at the Share Exchange Ratio.

The aggregate number of New Put Option Consideration Shares to be issued to the TG Optionholders and GoldCom pursuant to the New TG Optionholder Agreements will not exceed 1,262,020,649 Shares.

Other material terms of
the New TG
Optionholder Put
Options:

The New TG Optionholder Put Options may not be transferred or transmitted without the prior written consent of the other parties to the New TG Optionholder Agreement.

TG First Refusal Right:

If, during the term of the New TG Optionholder Agreement, a TG Optionholder wishes to sell all or part of his/her TG Shares acquired by exercising his/her TG Options to a third party, he/she shall first be required to offer such shares to the Company by way of written notification. The TG Optionholder must set out the details of the offer in the notification to the Company and the terms of such offer may or may not be the same as the terms of the New TG Optionholder Put Options.

LETTER FROM THE BOARD

If the Company wishes to accept the offer, the number of TG First Refusal Right Consideration Shares to be issued to GoldCom for cash proceeds to the selling TG Optionholder (in case of an “on-market sale”) or to be issued directly to the selling TG Optionholder (in the case of a share exchange) shall equal to the number of TG Shares being sold multiplied by the Share Exchange Ratio as adjusted by multiplying the factor (the “**Factor**”) that is equivalent to the price (“**New Price**”) per TG Share offered by the third party purchaser divided by ZAR22.44 (which is the price payable per TG Share under the Acquisition) (“**Original Price**”). The Original Price represents the value in ZAR offered by the Company for each TG Share under the New Put Options. The Original Price is calculated by multiplying the Issue Price and the Share Exchange Ratio and converting the product from HK\$ into ZAR based on the 2011 Exchange Rate adopted under the TG Optionholder Agreements. However, the Company undertakes that for the purpose of the SGM, it shall not exercise the TG First Refusal Right if as a result of such exercise, the Share Exchange Ratio as adjusted by the Factor above would exceed the Maximum Share Exchange Ratio. If the Company elects to exercise the TG First Refusal Right that would exceed the above restriction, it shall re-comply with the applicable requirements under the Listing Rules before such exercise becomes effective. If the New TG Optionholder Put Options are not exercised at all but the TG First Refusal Right are exercised in full at the Maximum Share Exchange Ratio, the Company will have to issue the TG First Refusal Right Consideration Shares (which is more than the New Put Option Consideration Shares by 256,238,148 new Shares) as consideration for such exercise.

LETTER FROM THE BOARD

Subject to the above restriction, the TG First Refusal Right allows the Company, at its sole discretion, to match offers made by third party purchasers by adjusting the number of TG First Refusal Right Consideration Shares to be issued for each TG Share in proportion to the New Price by reference to the Original Price. The Company considers that the adjustment mechanism of the TG First Refusal Right is fair and reasonable in that it will result in the issuance of an adjusted number of TG First Refusal Right Consideration Shares that is fair and equitable to both the Company and the TG Optionholders and enables the New Price to be matched by the Company.

In the event that the Company declines or otherwise fails to accept the offer, the TG Optionholder shall be free to offer the TG Shares to the third party, provided that such offer to the third party must be on the same terms as the offer to the Company (or to GoldCom).

The TG First Refusal Right is applicable to any of the TG Optionholder TG Shares held by the TG Optionholders.

Basis of determining the consideration for grant of the New TG Optionholder Put Options

As disclosed in the Circular, the consideration payable by each of the TG Optionholders to the Company in respect of the grant of the TG Optionholder Put Options was ZAR1.00. The New TG Optionholder Put Options were proposed for the same purpose as originally envisaged in connection with the Acquisition. Therefore, the consideration for grant of the New TG Optionholder Put Options was determined as also being ZAR1.00.

Conditions precedent

The New TG Optionholder Agreements (including the TG First Refusal Right) are subject to the fulfilment (or waiver, as applicable) of the following conditions:

- (a) where applicable, the New TG Optionholder Agreements (including the TG First Refusal Right) and the transactions contemplated thereunder having been approved by the Shareholders and/or Independent Shareholders including in particular the issue and allotment of the New Put Option Consideration Shares or the TG First Refusal Right Consideration Shares as required by and in accordance with the requirements under the Listing Rules;

LETTER FROM THE BOARD

- (b) the Company having obtained all necessary approvals and consents required in relation to the New TG Optionholder Agreements and the transactions contemplated thereunder, including approval from the Stock Exchange;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and the permission to deal in, the New Put Option Consideration Shares or the TG First Refusal Right Consideration Shares and such approval remains valid and effective;
- (d) the warranties under the New TG Optionholder Agreements remaining true, accurate and not misleading in any material respect at completion as if repeated at completion; and
- (e) there having been no material adverse change in the business, assets, operations and financial conditions of TGL and its subsidiaries since the date of the New TG Optionholder Agreements.

The New TG Optionholder Agreements are subject to the fulfilment (to the satisfaction of the Company) or waiver by the Company, as the case may be, of the above conditions on or before 11:59pm on 31 March 2015, failing which the New TG Optionholder Agreements shall automatically terminate.

New Put Option Consideration Shares and the TG First Refusal Right Consideration Shares

As at the date of this circular, the Company has 12,442,915,688 Shares in issue. Assuming that there is no change in the issued share capital of the Company other than the issue of the New Put Option Consideration Shares since the date of this circular, the New Put Option Consideration Shares represent (i) approximately 10.14% of the issued share capital of the Company as at the date of this circular; and (ii) approximately 9.21% of the issued share capital of the Company as enlarged by the allotment and issue of the New Put Option Consideration Shares. If the New TG Optionholder Put Options are not exercised at all but the TG First Refusal Right is exercised in full at the Maximum Share Exchange Ratio and assuming that there is no change in the issued share capital of the Company other than the issue of the TG First Refusal Right Consideration Shares since the date of this circular, the TG First Refusal Right Consideration Shares represent (i) approximately 12.20% of the issued share capital of the Company as at the date of this circular; and (ii) approximately 10.87% of the issued share capital of the Company as enlarged by the allotment and issue of the TG First Refusal Right Consideration Shares.

LETTER FROM THE BOARD

Grant of TG Call Options

The key terms for the grant of the TG Call Options are as follows:

Consideration: The consideration payable by the Company to each TG Optionholder for the grant of the TG Call Options is HK\$1.00

Exercise Period: During the period commencing from the date upon which the conditions precedent for the exercise of the TG Call Options are satisfied (“**Satisfaction Date**”) and ending on the earlier of (i) the 10th business day after the Satisfaction Date; and (ii) 7 September 2016

Exercise of the TG Call Options: The Company may exercise each TG Call Option in whole or in part by serving a notice at any time during the exercise period to acquire up to a maximum number of 23,645,210 TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options (representing 100% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of their TG Options and to the extent those TG Shares have not already been disposed of to the Company or GoldCom through the exercise of the New TG Optionholder Put Options or otherwise).

The TG Optionholders will transfer the TG Shares to the Company through GoldCom in consideration for the issue of a corresponding number of Possible Exercise Consideration Shares at the Share Exchange Ratio. The Company shall procure the person or persons acquiring Control to purchase the Possible Exercise Consideration Shares at the Offer Price per Share from GoldCom and the proceeds will be remitted to the TG Optionholder via an escrow agent.

The aggregate number of Possible Exercise Consideration Shares to be issued to GoldCom upon the full exercise of the TG Call Options will not exceed 1,262,020,649 Shares.

Other material terms: The TG Call Options may not be transferred or transmitted by the Company without the prior written consent of the other parties to the New TG Optionholder Put Option Agreements. The TG Call Options shall automatically terminate when the Company acquires 80% or more of the TG Optionholder TG Shares from the TG Optionholders.

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Conditions precedent for the exercise of the TG Call Options

The exercise of the TG Call Options shall be conditional upon each of the following events:

- (a) that a Change of Control has occurred and duly completed in accordance with the terms and conditions thereunder and has been announced on the Stock Exchange;
- (b) where applicable, the exercise of the TG Call Options having been approved by the Independent Shareholders as required by and in accordance with the requirements under the Listing Rules;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and the permission to deal in, the Possible Exercise Consideration Shares and such approval remains valid and effective; and
- (d) the Offer Price shall not be less than HK\$0.20 per Share.

Basis of determining the consideration for acceptance of the TG Call Options

The consideration of HK\$1.00 payable by the Company to each of the TG Optionholders for acceptance of the TG Call Options is beneficial to the Company as it is able to acquire a right at nominal consideration.

The reason for setting condition (a) above is set out in the section headed “Reasons and benefits of the Transactions” in the letter from the Board of this circular. The purpose of setting condition (d) above as a condition for the Company to exercise the TG Call Options is to provide comfort to the TG Optionholders that the Company will not be able to exercise the TG Call Options below the benchmark price of HK\$0.20 per Share. The benchmark price of HK\$0.20 per Share is determined by reference to the prevailing market prices of the Shares which represents a (i) a discount of approximately 13% over the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 13.5% over the average of the closing price of the Shares as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day of approximately HK\$0.227 per Share. Although the Offer Price will have no direct or indirect impact on the Company in terms of the actual consideration payable for the exercise of the TG Call Options or have any additional potential dilution effect on the Shareholders when compared to the exercise of the New TG Optionholder Put Options (please also refer to the section headed “The Possible Exercise and the basis of Determination of the Consideration” in the letter from the Board in this circular for further details), the Directors consider the benchmark price of HK\$0.20 per Share to be fair and reasonable in light of the discount to the prevailing market price of the Shares which increases the Company’s ability to exercise the TG Call Options if it elects to do so. The benchmark price of HK\$0.20 per Share is at a 51% discount to the HK\$0.41 Issue Price and also represents a 13% and 13.5% discount over (i) the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing price of the Shares as quoted on the Stock Exchange

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over the last five trading days up to and including the Last Trading Day of approximately HK\$0.227 per Share, respectively. The benchmark price of HK\$0.20 per Share therefore increases the ability of the Company to exercise the TG Call Options, when compared to the Issue Price and the prevailing market price. Therefore, the Company can compel the TG Optionholders to exercise the New TG Optionholder Put Options if the Offer Price is greater than HK\$0.20 per Share.

2. Grant of New SA Put Options (including the SA First Refusal Right) and Grant of SA Call Options under the New SA Put Option Agreements

As disclosed in the Circular, the Acquisition involved the possible acquisition of TG Shares held by the South African Shareholders, representing approximately 8.99% of the issued share capital of Taung Gold, through the Loan Note and the SA Put Option Agreements between the Company, GoldCom and the South African Shareholders. The South African Shareholders are shareholders of Taung Gold who are residents of South Africa. As a result of foreign exchange control restrictions, the South African Shareholders would be restricted from on-selling, transferring or otherwise dealing in the Shares. Accordingly, rather than receiving the Shares as consideration, GoldCom, a company incorporated in the British Virgin Islands, subscribed for the Shares (being the GoldCom Consideration Shares) in consideration for the Loan Note. GoldCom, the Company and the South African Shareholders have entered into the SA Put Option Agreements pursuant to which the South African Shareholders may sell their TG Shares to the Company through GoldCom in consideration for cash derived from the sale of the GoldCom Consideration Shares on-market. Such right to sell TG Shares to the Company through GoldCom (being the SA Put Options) may be exercised by the South African Shareholders at any time within three years from (and including) 8 September 2011. Further details of the SA Put Option Agreements are disclosed in the section of Appendix VI to the Circular headed “1. Loan Note and the Put Option Agreements”.

On 5 September 2014, the Company, Taung Gold and GoldCom entered into the New SA Put Option Agreements with each of the South African Shareholders to grant the New SA Put Options to the South African Shareholders and for the South African Shareholders to grant to the Company the SA First Refusal Right and the SA Call Options. The South African Shareholders include (i) Mr. Christiaan Rudolph de Wet de Bruin and Mr. Neil Andrew Herrick, who are current Directors of the Company and Taung Gold; (ii) Mr. Stefanus David Steyn, who is a current director of Taung Gold and a former Director of the Company; (iii) Dr. Lelau Mohuba, Mr. Neil Robus Crafford-Lazarus and Mrs. Sonja Hester Rosser, who are current directors of Taung Gold; (iv) Mr. Christiaan Rudolph de Wet de Bruin and Dr. Lelau Mohuba’s associates (collectively, the “**Connected South African Shareholders**”); and (v) other Independent Third Parties.

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The following table sets forth the number of SA TG Shares held by the South African Shareholders:

Name of South African Shareholders	Number of TG Shares held
Mr. Christiaan Rudolph de Wet de Bruin and his associates	7,562,676
Mr. Neil Andrew Herrick	4,500
Mr. Stefanus David Steyn	251,000
Dr. Lelau Mohuba and his associates	258,287
Mr. Neil Robus Crafford-Lazarus	50,000
Mrs. Sonja Hester Rosser	716,083
Independent third parties	<u>12,331,770</u>
Total	<u><u>21,174,316</u></u>

Grant of New SA Put Options

The key terms of the New SA Put Options are substantially the same as the SA Put Options (except for the exercise period) which are summarised as follows:

- | | |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consideration: | The consideration payable by each South African Shareholder to each of the Company and GoldCom for the grant of the New SA Put Option is ZAR1.00 (approximately HK\$0.73). |
| Exercise Period: | The New SA Put Options may be exercised at any time during the period commencing from the date upon which the conditions under the New SA Put Options Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016. |
| Exercise of the New SA Put Options: | <p>The New SA Put Options shall be exercisable by the South African Shareholders delivering a put option notice to GoldCom. Upon the exercise of the New SA Put Option:</p> <ul style="list-style-type: none"> ● the South African Shareholder shall, amongst other things, irrevocably instruct GoldCom to sell or procure the sale of a number of Shares equal to the number of TG Shares being sold multiplied by the Share Exchange Ratio, being the GoldCom Consideration Shares, on the Stock Exchange; ● GoldCom shall, upon the sale of the GoldCom Consideration Shares, deposit the cash proceeds raised from such sale into an escrow account. |

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Upon the deposit of the cash proceeds into an escrow account, the escrow agent shall, amongst other things and in accordance with joint instructions of the Company and GoldCom, deposit the cash proceeds less certain costs into a bank account of the relevant South African Shareholder.

Following exercise of the New SA Put Options by the South African Shareholders, the transfer of the TG Shares from GoldCom to the Company shall constitute partial repayment of the Loan Note by an amount equal to the market value of the corresponding number of Shares. If any South African Shareholder has not exercised his New SA Put Option in full within the exercise period and the Company has not exercised the SA Call Option in full, GoldCom shall, within ten (10) Business Days from the expiry of the exercise period or within such other period as directed by the Company sell or procure the sale of the remaining Shares it then holds and the cash proceeds from such sale shall be paid to the Company in partial repayment of the Loan Note. If the trading price of the Shares at the time GoldCom sells such Shares is below the Issue Price, the cash proceeds from the sale of such Shares, combined with the previous repayments may not be sufficient to repay the Loan Note in full. As GoldCom will have no further assets, the remaining balance of the Loan Note will be recorded as reserves in the equity account of the Company.

Other material terms of the New SA Put Option Agreements:

The New SA Put Options may not be transferred or transmitted by the South African Shareholders without the prior written consent of the other parties to the New SA Put Option Agreements.

If any South African Shareholder wishes to sell all or part of the TG Shares held by it to a third party during the term of the New SA Put Option Agreement, he shall first be required to offer such TG Shares to the Company through GoldCom and the Company shall, through GoldCom, indicate its acceptance of the offer of such TG Shares within ten (10) Business Days from the date of receipt of the offer. The South African Shareholder must set out the details of the offer in the notification to the Company and the terms of such offer may or may not be the same as the terms of the New SA Put Options.

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If the Company wishes to accept the offer, the number of SA First Refusal Right Consideration Shares to be sold by GoldCom for cash proceeds to the selling South African Shareholder shall equal to the number of TG Shares being sold multiplied by the Share Exchange Ratio as adjusted by multiplying the factor (the “**Factor**”) that is equivalent to the price (“**New Price**”) per TG Share offered by the third party purchaser divided by ZAR22.44 (which is the price payable per TG Share under the Acquisition) (“**Original Price**”). The Original Price represents the value in ZAR offered by the Company for each TG Share under the New SA Put Options. The Original Price is calculated by multiplying the Issue Price and the Share Exchange Ratio and converting the product from HK\$ into ZAR based on the 2011 Exchange Rate adopted under the SA Put Option Agreements. However, the Company undertakes that for the purpose of the SGM, it shall not exercise the SA First Refusal Right if as a result of such exercise, the Share Exchange Ratio as adjusted by the Factor above would exceed the Maximum Share Exchange Ratio. If the Company elects to exercise the SA First Refusal Right that would exceed the above restriction, it shall re-comply with the applicable requirements under the Listing Rules before such exercise becomes effective. If the New SA Put Options are not exercised at all but the SA First Refusal Right are exercised in full at the Maximum Share Exchange Ratio, in addition to the GoldCom Consideration Shares already issued to GoldCom, the Company will have to issue an additional 229,461,591 new Shares for GoldCom to sell for cash proceeds as consideration for such exercise.

Subject to the above restriction, the SA First Refusal Right allows the Company, at its sole discretion, to match offers made by third party purchasers by adjusting the number of SA First Refusal Right Consideration Shares to be sold by GoldCom for each TG Share in proportion to the New Price by reference to the Original Price. The Company considers that the adjustment mechanism of the SA First Refusal Right is fair and reasonable in that it will result in the sale of an adjusted number of SA First Refusal Right Consideration Shares that is fair and equitable to both the Company and the South African Shareholders and enables the New Price to be matched by the Company.

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Basis for determining the consideration for grant of the New SA Put Options

As disclosed in the Circular, the consideration payable by each of the South African Shareholder to the Company in respect of the same grant of the SA Put Options was ZAR1.00. The New SA Put Options were proposed for the purpose as originally envisaged in connection with the Acquisition. Therefore, the consideration for grant of the New SA Put Options was also determined as being ZAR1.00.

Conditions precedent

The New SA Put Option Agreements (including the SA First Refusal Right) are subject to the fulfilment (or waiver, as applicable) of the following conditions:

- (a) where applicable, the New SA Put Option Agreements and the transactions contemplated thereunder having been approved by the Shareholders and/or Independent Shareholders including in particular the issue and allotment of the Additional SA First Refusal Right Consideration Shares as required by and in accordance with the requirements under the Listing Rules;
- (b) the Company having obtained all necessary approvals and consents required in relation to the New SA Put Option Agreements and the transactions contemplated thereunder, including approval from the Stock Exchange;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and the permission to deal in, the Additional SA First Refusal Right Consideration Shares and such approval remains valid and effective;
- (d) the warranties under the New SA Put Option Agreements remaining true, accurate and not misleading in any material respect at completion as if repeated at completion; and
- (e) there having been no material adverse change in the business, assets, operations and financial conditions of TGL and its subsidiaries since the date of the New SA Put Option Agreements.

The New SA Put Option Agreements are subject to the fulfilment (to the satisfaction of the Company) or waiver by the Company, as the case may be, of the above conditions on or before 11:59pm on 31 March 2015, failing which the New SA Put Option Agreements shall automatically terminate.

As at the date of this circular, the Company has 12,442,915,688 Shares in issue. Assuming that there is no change in the issued share capital of the Company other than the issue of the Additional SA First Refusal Right Consideration Shares since the date of this circular, the Additional SA First Refusal Right Consideration Shares represent (i) approximately 1.84% of the issued share capital of the Company as at

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the date of this circular; and (ii) approximately 1.81% of the issued share capital of the Company as enlarged by the allotment and issue of the Additional SA First Refusal Right Consideration Shares.

Grant of SA Call Options

The key terms for the grant of the SA Call Options are as follows:

Consideration: The consideration payable by the Company to each South African Shareholder for the grant of the SA Call Options is HK\$1.00

Exercise Period: During the period commencing from the date upon which the conditions precedent for the exercise of the SA Call Options are satisfied (“**Satisfaction Date**”) to the earlier of (i) the 10th business day after the Satisfaction Date; and (ii) 7 September 2016

Exercise of the SA Call Options: The Company may exercise each SA Call Option in whole or in part by serving a notice at any time during the exercise period to acquire up to a maximum number of 21,174,316 TG Shares from the South African Shareholders (to the extent those TG Shares have not already been disposed of).

Upon the exercise of the SA Call Options:

- the Company shall procure that the person or persons acquiring Control of the Company to purchase from the SA Shareholders through GoldCom at the Offer Price per Share in respect of such number of the GoldCom Consideration Shares equal to the number of TG Shares being acquired by the exercise of the New SA Call Options multiplied by the Share Exchange Ratio, being the “**SA Call Option Consideration Shares**”;
- GoldCom shall, after the sale of the SA Call Option Consideration Shares, deposit the cash proceeds raised from such sale into an escrow account.

Upon the deposit of the cash proceeds into an escrow account, the escrow agent shall, amongst other things and in accordance with joint instructions of the Company and GoldCom, deposit the cash proceeds less certain costs into a bank account of the relevant South African Shareholder.

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Following exercise of the SA Call Options, the transfer of the TG Shares from the South African Shareholders to the Company shall constitute partial repayment of the Loan Note by an amount equal to the market value of the corresponding number of the SA Call Option Consideration Shares. If any South African Shareholder has not exercised his New SA Put Option in full within the exercise period and the Company has not exercised the SA Call Option in full, GoldCom shall, within ten (10) Business Days from the expiry of the exercise period or within such other period as directed by the Company sell or procure the sale of the remaining Shares it then holds and the cash proceeds from such sale shall be paid to the Company in partial repayment of the Loan Note. If the trading price of the Shares at the time GoldCom sells such Shares is below the Issue Price, the cash proceeds from the sale of such Shares, combined with the previous repayments may not be sufficient to repay the Loan Note in full. As GoldCom will have no further assets, the remaining balance of the Loan Note will be recorded as reserves in the equity account of the Company.

Other material terms: The SA Call Options may not be transferred or transmitted by the Company without the prior written consent of the other parties to the New SA Put Option Agreement. The SA Call Options shall automatically terminate when the Company acquires 80% or more of the SA TG Shares held by the South African Shareholders

Conditions precedent for the exercise of the SA Call Options

The exercise of the SA Call Options shall be conditional upon each of the following events:

- (a) that a Change of Control has occurred and duly completed in accordance with the terms and conditions thereunder and has been announced on the Stock Exchange;
- (b) where applicable, the exercise of the SA Call Options having been approved by the Independent Shareholders as required by and in accordance with the requirements under the Listing Rules; and
- (c) the Offer Price shall not be less than HK\$0.20 per Share.

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Basis of determining consideration for acceptance of the SA Call Options

The consideration of HK\$1.00 payable by the Company to each South African Shareholder for acceptance of the SA Call Options is beneficial to the Company as it is able to acquire a right at nominal consideration.

The reason for setting condition (a) above is set out in the section headed “Reasons and benefits of the Transactions” in the letter from the Board in this circular. The purpose of setting condition (c) above as a condition for the Company to exercise the SA Call Options is to provide comfort to the South African Shareholders that the Company will not be able to exercise the SA Call Options below the benchmark price of HK\$0.20 per Share. The benchmark price of HK\$0.20 per Share is determined by reference to the prevailing market price of the Shares which represents a (i) a discount of approximately 13% over the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 13.5% over the average of the closing price of the Shares as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day of approximately HK\$0.227 per Share. Although the Offer Price will have no direct or indirect impact on the Company in terms of the actual consideration payable for the exercise of the SA Call Options or have any additional potential dilution effect on the Shareholders when compared to the exercise of the New SA Put Options (please also refer to the section headed “The Possible Exercise and the basis of Determination of the Consideration” in the letter from the Board in this circular for further details), the Directors consider the benchmark price of HK\$0.20 per Share to be fair and reasonable in light of the discount to the prevailing market price of the Shares which increases the Company’s ability to exercise the SA Call Options if it elects to do so. The benchmark price of HK\$0.20 per Share is at a 51% discount to the HK\$0.41 Issue Price and also represents a 13% and 13.5% discount over (i) the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing price of the Shares as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day of approximately HK\$0.227 per Share, respectively. The benchmark price of HK\$0.20 per Share therefore increases the ability of the Company to exercise the SA Call Options, when compared to the Issue Price and the prevailing market price. Therefore, the Company can compel the South African Shareholders to exercise the New SA Put Options if the Offer Price is greater than HK\$0.20 per Share.

The basis of determination of the Consideration and the Possible Exercise

Issue of GoldCom Consideration Shares, the New Put Option Consideration Shares, the First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares

The GoldCom Consideration Shares were issued at the Issue Price of HK\$0.41 per Share and in accordance with the Share Exchange Ratio in accordance with the terms of the Acquisition. The New Put Option Consideration Shares will be issued at the Issue Price of HK\$0.41 per Share in accordance with the Share Exchange Ratio and the First Refusal Right Consideration Shares (if the First Refusal Right is exercised) will be issued by the Company at the Issue Price of HK\$0.41 per Share at up to the Maximum Share

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Exchange Ratio, credited as fully paid and when allotted and issued, they will rank pari passu in all respects with the Shares then in issue and be entitled to all dividends, distributions and other rights carried by the Shares. The Possible Exercise Consideration Shares will also be issued by the Company at the Issue Price of HK\$0.41 per Share in accordance with the Share Exchange Ratio, credited as fully paid and when allotted and issued, they will rank pari passu in all respects with the Shares then in issue and be entitled to all dividends, distributions and other rights carried by the Shares. The New Put Option Consideration Shares, the First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares will be issued pursuant to the Specific Mandate.

The Issue Price of HK\$0.41 per New Put Option Consideration Share, per First Refusal Right Consideration Share and per Possible Exercise Consideration Share and the Share Exchange Ratio (for the issue of the New Put Option Consideration Shares and the Possible Exercise Consideration Shares) in connection with their issue were determined after arm's length negotiations between the Company and the TG Optionholders and the number of GoldCom Consideration Shares (issued in accordance with the Share Exchange Ratio) to be sold by GoldCom on-market in exchange for SA TG Shares was determined after arm's length negotiations between the Company and the South African Shareholders primarily by reference to the same issue price of HK\$0.41 per Share and the same share exchange ratio adopted in connection with the SA Put Option Agreements and the TG Optionholder Agreements. Regarding the SA First Refusal Right Consideration Shares and the TG First Refusal Right Consideration Shares, the effective share exchange ratio would depend on the terms offered by third parties when the First Refusal Right is exercised by the Company. However, the Company undertakes that for the purpose of the SGM, it shall not exercise the First Refusal Right if as a result of such exercise, the share exchange ratio would exceed the Maximum Share Exchange Ratio. If the Company elects to exercise the First Refusal Right that would exceed the above restriction, it shall re-comply with the applicable requirements under the Listing Rules before such exercise.

Although the Issue Price of HK\$0.41 per Share for the issue of the GoldCom Consideration Shares, the New Put Option Consideration Shares and the Possible Exercise Consideration Shares are adopted, it does not affect the actual consideration payable by the Company for the acquisition of the TG Shares under the New SA Put Options, New TG Optionholder Put Options or the Call Options. The actual consideration payable by the Company for the TG Shares is determined by the Share Exchange Ratio and the Issuer Price has no bearing on the number of Shares issued and to be issued under the New SA Put Option Agreements and the New TG Optionholder Agreements. On the other hand, the value of the Issue Price would directly affect the actual consideration payable by the Company for the acquisition of TG Shares upon exercise of the First Refusal Right, since the effective share exchange ratio (from the Share Exchange Ratio to the Maximum Share Exchange Ratio) adopted to determine the number of First Refusal Right Consideration Shares to be issued in turn depends on the Issue Price and the price offered by third party purchaser to acquire the relevant TG Shares. However, the Directors consider the Issue Price to be fair and reasonable (see below for further details).

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As disclosed in the Circular, the Acquisition provided the Company with the opportunity to increase its interest in TGL to up to 86.97% and this was in part intended to be achieved pursuant to the SA Put Option Agreements and the TG Optionholder Agreements. The SA Put Options and the TG Optionholder Put Options were granted under the relevant SA Put Option Agreements and TG Optionholder Agreements for a period of three years from 8 September 2011 and shall expire on 7 September 2014. However, because of the suspension of trading of the Shares from 8 June 2012 to 2 May 2014, the Acquisition was prevented from completing in full. The New SA Put Options and the New TG Optionholder Put Options are intended to compensate and allow the holders of the SA Put Options and the TG Optionholder Put Options to exercise their original and same rights granted in connection with the Acquisition for a further two-year period in light of the suspension of trading of the Shares as highlighted above.

Also, as stated in the 2014 Annual Report of the Company (the “**Annual Report**”), the exploration assets held by Taung Gold (which are the Evander and Jeanette Projects) amounted to approximately HK\$3,925 million as at 31 March 2014 (the “**Exploration Assets**”). In the event that the outstanding options held by the TG Optionholders are exercised in full, the total value of Taung Gold shall be higher than that as stated in the Annual Report. If (i) the New TG Optionholder Put Options and the New SA Put Options; or (ii) the Call Options are exercised in full, the Company’s direct shareholding interest in TGL would increase by approximately 16.70% as compared to the case where the Company’s shareholding interest in TGL would be diluted from 55.95% to 49.29% if none of the New TG Optionholder Put Options, the New SA Put Options or the Call Options are exercised at all. Alternatively, if the New TG Optionholder Put Options and the New SA Put Options are exercised in full; or the Call Options are exercised in full and assuming that there will be no other changes in the issued share capital of Taung Gold other than due to the full exercise of the TG Options and the issue of up to 8,257,776 new TG Shares to comply with the BEE Requirement, the Company’s direct shareholding interest in Taung Gold will increase by approximately 10.05% as compared to the Company’s shareholding interest in TGL as at the date of this circular (please also refer to the section headed “Shareholding of Taung Gold before and after the proposed Transactions” in the letter of the board of this circular for further details). However, given that the direct shareholding interest of Taung Gold to be acquired by the Company is 44,819,526 TG Shares which represent 16.70% of the enlarged issued share capital of Taung Gold, the Company would acquire 16.70% interest of the Exploration Assets. If the value of the 16.70% of the Exploration Assets is compared with the consideration to be paid by the Company, the value of 16.70% of the Exploration Assets is approximately HK\$655.5 million (“**Acquired TG Asset Value**”) and therefore the consideration (based on the closing price of the share on the date entering into the relevant agreements) for acquiring the 16.70% interest in Taung Gold represents a discount of approximately 21.25% to the Acquired TG Asset Value as at 31 March 2014 as stated in the Annual Report.

Further, the Maximum Share Exchange Ratio is determined by reference to the Acquired TG Asset Value such that if none of the New SA Put Options or the New TG Optionholder Put Options is exercised but the First Refusal Right is exercised by the Company in full at the Maximum Share Exchange Ratio, the consideration (based on the

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closing price of the share on the date entering into the relevant agreements) for acquiring the 16.70% interest in Taung Gold represents a discount of approximately 1% to the Acquired TG Asset Value as at 31 March 2014 as stated in the Annual Report. Further, although the Maximum Share Exchange Ratio represents an approximately 20.30% premium to the Share Exchange Ratio, the Maximum Share Exchange Ratio is still at a discount to the Acquired TG Asset Value. Therefore, the Directors consider that it is fair and reasonable to adopt the same Issue Price and Share Exchange Ratio or the Maximum Share Exchange Ratio for the exercise of the First Refusal Right in determining the number of the New Put Option Consideration Shares or the TG First Refusal Right Consideration Shares and the number of GoldCom Consideration Shares or the SA First Refusal Right Consideration Shares to be sold by GoldCom on-market in exchange for SA TG Shares in connection with the grant of the New TG Optionholder Put Options and the New SA Put Options, respectively.

Further, it was originally contemplated as part of the Acquisition in 2011 that the TG Optionholder Put Options would grant TG Optionholders the right to sell up to 100% of the TG Shares held by them upon exercise of the TG Options to the Company. The terms of the TG Optionholder Put Options were subsequently determined to reduce such amount to up to 80% of the TG Shares held by the TG Optionholders upon exercise of the TG Options due to compliance with the applicable requirements under Chapter 15 of the Listing Rules at the time. The New TG Optionholder Put Options (which now cover the remaining 20% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options (i.e. in addition to the 80% TG Shares covered under the TG Optionholder Put Options)) are therefore proposed to complete the originally envisaged arrangement in connection with the Acquisition and therefore the Directors also consider that it is fair and reasonable to adopt the same Issue Price and Share Exchange Ratio in determining the number of the New Put Option Consideration Shares to be issued in connection with all of the New TG Optionholder Put Options.

Consideration for exercise of the Call Options

Similarly, the purpose of the Call Options is to allow the Company to increase its shareholding interest in Taung Gold by requesting the South African Shareholders and the TG Optionholders to exercise their respective New SA Put Options and the New TG Optionholder Put Options if a Change of Control transaction occurs. Therefore, the Directors also consider that it is fair and reasonable to adopt the same Issue Price and Share Exchange Ratio used in connection with the New SA Put Options and the New TG Optionholder Put Options for the exercise of the Call Options. Further, in respect of the Call Options, the Company shall procure the person or persons acquiring Control to purchase the Possible Exercise Consideration Shares and the SA Call Option Consideration Shares at the Offer Price per Share from the holders through GoldCom and the proceeds will be remitted to the TG Optionholders and the South African Shareholders via an escrow agent.

In connection with the Transactions, if the South African Shareholders or the TG Optionholders exercise their respective New SA Put Options or the New TG Optionholder Put Options, (i) the South African Shareholders or TG Optionholders may receive the cash

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proceeds following the on-market sale of the GoldCom Consideration Shares (in the case of the New SA Put Options) and the New Put Option Consideration Shares (in the case of the New TG Optionholder Put Options) which were or will be issued at the Issue Price by the Company as consideration; and (ii) the TG Optionholders who are non-South African residents may elect to receive the New Put Option Consideration Shares which will be issued by the Company at the Issue Price as consideration. On the other hand, if the Company exercises the SA Call Options or the TG Call Options, the GoldCom Consideration Shares (in the case of the SA Call Options) and the Possible Exercise Consideration Shares (in the case of the TG Call Options) would still be issued by the Company at the Issue Price as consideration for the exercise of the Call Options but the consideration actually received by the South African Shareholders or the TG Optionholders would be the cash proceeds from the sale of the GoldCom Consideration Shares or the Possible Exercise Consideration Shares at the Offer Price to the investors acquiring Control in the Company. Although the South African Shareholders or the TG Optionholders may receive cash proceeds calculated based on the Offer Price per Share upon the exercise of the Call Options, the amount of which may be different from the Issue Price on a per Share basis in respect of the GoldCom Consideration Shares or the Possible Exercise Consideration Shares (which together constitute consideration for the same pool of TG Shares subject to the Call Options), the Board considers that the arrangement is fair and reasonable given that the exercise of the Call Options is conditional upon the occurrence of a Change of Control transaction and if this occurs, the market price of the Shares should reflect the Offer Price offered by the potential investors. Further, the Offer Price is a benchmark price only and cannot serve as a meaningful reference. As the Issue Price of the GoldCom Consideration Shares, the New Put Option Consideration Shares and the Possible Exercise Consideration Shares are the same, the aggregate number of Shares issued and to be issued under the New SA Put Option Agreements and the New TG Optionholder Agreements will not change as result of the Offer Price. The Offer Price will also have no direct or indirect impact on the Company in terms of the actual consideration payable for the exercise of the Call Options or have any additional potential dilution effect on the Shareholders when compared to the exercise of the New SA Put Options and the New TG Optionholder Put Options.

The Offer Price for the Call Options only serves as benchmark in two ways. First, it is one of the conditions of the Call Options. Second, it only affects the TG Optionholders and the South African Shareholders as the Company shall procure the person or persons acquiring Control to purchase from the holders through GoldCom at the Offer Price a number of the GoldCom Consideration Shares and the Possible Exercise Consideration Shares. However, as discussed in the previous paragraph, the Offer Price will have no direct or indirect impact to the Company or the Shareholders.

The issue price of HK\$0.41 also represents:

- (i) a premium of approximately 81.42% over the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (ii) a premium of approximately 80.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day of approximately HK\$0.227 per Share;
- (iii) a premium of approximately 83.04% over the average of the closing prices of the Shares as quoted on the Stock Exchange over the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.224 per Share; and
- (iv) a premium of approximately 17.14% to the audited net asset value of approximately HK\$0.35 per Share as at 31 March 2014 (based on the audited consolidated net assets of the Group of approximately HK\$4,265,712,000 as at 31 March 2014 as shown in the Company's Annual Report and 12,442,915,688 Shares in issue as at the Latest Practicable Date).

Financial impact of the exercise of the New SA Put Options, the SA First Refusal Right and the SA Call Options on the Company

GoldCom was introduced to facilitate the arrangements under the SA Put Option Agreements between the Company and the South African Shareholders. As disclosed in the Circular, the South African Shareholders are shareholders of TGL who are residents of South Africa. As a result of foreign exchange control restrictions, the South African Shareholders would be restricted from on-selling, transferring or otherwise dealing in Shares. Accordingly, rather than receiving Shares as consideration, GoldCom, a company incorporated in the British Virgin Islands, has subscribed for the GoldCom Consideration Shares in consideration for the Loan Note to facilitate the arrangements under the SA Put Option Agreements.

Pursuant to the arrangements under the SA Put Option Agreements, the GoldCom Consideration Shares issued for the Loan Note were accounted for as if they were treasury shares. The GoldCom Consideration Shares were issued to GoldCom in exchange for the Loan Note in the principal amount of HK\$519,865,000, calculated based on the closing market price of HK\$0.46 per Share at the First Completion of the Acquisition. The share capital and share premium of the same aggregate amount of HK\$519,865,000 relating to the issue of the GoldCom Consideration Shares were recognised as other reserves in equity. Under the SA Put Option Agreements, following the exercise of the SA Put Options by the South African Shareholders, GoldCom will deliver the cash proceeds from the on-market sale of the corresponding amount of the GoldCom Consideration Shares to the South African Shareholders and the South African Shareholders will transfer the TG Shares to the Company through GoldCom. The principal amount outstanding under the Loan Note will then be reduced by the market value of the amount of the GoldCom Consideration Shares upon the transfer of TG Shares to the Company. If any Additional SA First Refusal Right Consideration Shares are issued when the Company elects to exercise the SA First Refusal Right, the same treatment as above will apply on the Additional SA First Refusal Right Consideration Shares based on the closing market price of the Shares on the date the SA First Refusal Right is exercised.

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In terms of financial impact on the Company, when the South African Shareholders exercise their New SA Put Options, the carrying amounts of the “gross obligation under put options” and the “derivative financial instruments — put options” arising from the New SA Put Options, which were classified as liabilities of the Company in the consolidated financial statements and at their respective fair values at the time of the exercise, would be reclassified as the equity attributable to the owners of the Company as an equity transaction upon the exercise of the New SA Put Options. In addition, when the Company acquires additional interest in TGL upon exercise of the New SA Put Options by the South African Shareholders, the carrying amounts of the Company’s interests in TGL and the non-controlling interests in TGL in equity are adjusted to reflect the changes in the Company’s interests in TGL. The New SA Put Options would allow the South African Shareholders to sell their TG Shares to the Company through GoldCom during the exercise period in accordance with the same arrangement contemplated above and in terms of financial impact on the Company, the “gross obligation under put options” and the “derivative financial instruments — put options” arising from the New SA Put Options will be carried at fair value through profit or loss in the consolidated financial statements during the exercise period.

Similarly, following the grant of the SA Call Options to the Company and if the Company exercises the SA Call Options, the South African Shareholders would be required to exercise their New SA Put Options in the same manner contemplated under the New SA Put Option Agreements except that the Company would procure the investors acquiring Control in the Company to purchase the GoldCom Consideration Shares at the Offer Price instead of an on-market sale of such Shares. Following the exercise of the SA Call Options by the Company, the carrying amount of the “derivative financial instruments — call options” arising from the SA Call Options, which are to be classified as assets of the Company in the consolidated financial statements and at its fair value at the time of the exercise, would be reclassified as equity attributable to the owners of the Company as an equity transaction upon the exercise of the SA Call Options. The same accounting treatment will apply if the SA First Refusal Right is exercised by the Company. In addition, when the Company acquires additional interest in TGL, the carrying amounts of the Company’s interests in TGL and the non-controlling interests in TGL in equity are adjusted to reflect the changes in the Company’s interests in TGL.

Following the exercise of the New SA Put Options or the SA Call Options or the SA First Refusal Right, given that the GoldCom Consideration Shares and any Additional SA First Refusal Right Consideration Shares are or will be accounted for as treasury shares of the Company and that the Loan Note was not recognized as an asset to the Group, any remaining balance of the Loan Note that remains unpaid by GoldCom will not result in any financial impact on the Group.

Financial impact of exercise of the New TG Optionholder Put Options, the TG First Refusal Right and the TG Call Options on the Company

When the TG Optionholders exercise the New TG Optionholder Put Options, the carrying amounts of the “gross obligation under put options” and the “derivative financial instruments — put options” arising from the New TG Optionholder Put Options,

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which would be classified as liabilities of the Company in the consolidated financial statements and at their respective fair values at the time of the exercise, would be reclassified as the equity attributable to the owners of the Company as an equity transaction upon the exercise of the New TG Optionholder Put Options. In addition, when the Company acquires additional interest in TGL, the carrying amounts of the Company's interests in TGL and the non-controlling interests in TGL in equity are adjusted to reflect the changes in the Company's interests in TGL. The New TG Optionholder Put Options would allow the TG Optionholders to sell their TG Shares to the Company during the exercise period in accordance with the same arrangement contemplated above and in terms of financial impact on the Company, the "gross obligation under put options" and the "derivative financial instruments — put options" arising from the New TG Optionholder Put Options would continue to be carried at fair value through profit or loss in the consolidated financial statements during the exercise period.

Similarly, following the grant of the TG Call Options to the Company and if the Company exercises the TG Call Options, the TG Optionholders would be required to exercise the New TG Optionholder Put Options in the same manner contemplated under the New TG Optionholder Agreements except that the Company would procure the investors acquiring Control in the Company to purchase the New Put Option Consideration Shares at the Offer Price. Following the exercise of the TG Call Options by the Company, the carrying amount of the "derivative financial instruments — call options" arising from the TG Call Options, which are to be classified as assets of the Company in the consolidated financial statements and at its fair values at the time of the exercise, would be reclassified as the equity attributable to the owners of the Company as an equity transaction upon exercise of the TG Call Options. The same accounting treatment will apply if the TG First Refusal Right is exercised by the Company. In addition, when the Company acquires additional interest in TGL, the carrying amounts of the Company's interests in TGL and the non-controlling interests in TGL in equity are adjusted to reflect the changes in the Company's interests in TGL.

4. Specific Mandate

Pursuant to the New TG Optionholder Agreements, up to 1,262,020,649 New Put Option Consideration Shares or up to 1,518,258,797 TG First Refusal Right Consideration Shares may be issued by the Company to the TG Optionholders under the Specific Mandate to be approved by the Independent Shareholders at the SGM. Whereas under the New SA Put Options Agreements, up to 229,461,591 Additional SA First Refusal Right Consideration Shares may be issued by the Company for full exercise of the SA First Refusal Right under the Specific Mandate to be approved by the Independent Shareholders at the SGM. Further, if the TG Call Options are exercised by the Company in full, up to 1,262,020,649 Possible Exercise Consideration Shares may be issued by the Company to the TG Optionholders under the Specific Mandate to be approved by the Independent Shareholders at the SGM. In any event, the aggregate of (i) the New Put Option Consideration Shares; (ii) the First Refusal Right Consideration Shares; and (iii) the Possible Exercise Consideration Shares will not exceed 1,747,720,388 Shares ("**Total Consideration Shares**"), representing (a) approximately 14.04% of the issued share

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capital of the Company as at the date of this circular; and (b) approximately 12.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Total Consideration Shares.

The New Put Option Consideration Shares, the First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares will, upon issue and credited as fully paid, rank pari passu in all respects with all the existing Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the New Put Option Consideration Shares, the First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares if the issues are so approved.

Effect of the Issue of the Total Consideration Shares on the Shareholding Structure of the Company

Set out below are the shareholding structures of the Company (i) as at the date of this circular; (ii) immediately after the allotment and issue of the New Put Option Consideration Shares upon the full exercise of the New TG Optionholder Put Options only; (iii) immediately after the full exercise of the New SA Put Options only; and (iv) immediately after (a) the allotment and issue of the Total Consideration Shares (except for the First Refusal Right Consideration Shares); and (b) the allotment and issue of the Total Consideration Shares in full (assuming that the First Refusal Right is exercised in full at the Maximum Share Exchange Ratio).

	As at the date of this circular		Upon full exercise of				Upon full issue of the Total Consideration Shares (except that the First Refusal Right is not exercised)		Upon full issue of the Total Consideration Shares (First Refusal Right exercised in full at Maximum Share Exchange Ratio)	
	Number of Shares	Approximate %	New TG Optionholder Put Options	Approximate %	SA Put Options	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Other TG Optionholders (excluding the TG Connected Persons) [†]	—	—	842,442,674	6.15	—	—	842,442,674	6.15	1,013,490,549	7.14
Other South African Shareholders (excluding the SA Connected Persons) [†]	—	—	—	—	658,186,093	5.29	658,186,093	4.80	791,822,881	5.58
<i>Connected persons</i>										
Mr. Christiaan Rudolph de Wet de Bruin*	—	—	90,799,031	0.66	403,664,259	3.24	494,443,290	3.61	594,834,067	4.19
Mr. Neil Andrew Herrick*	—	—	107,547,009	0.78	240,179	0.00	107,787,188	0.79	129,672,083	0.91
Mr. Igor Levental [○]	—	—	40,830,502	0.3	—	—	40,830,502	0.30	49,120,645	0.35
Mr. Walter Thomas Segsworth	1,000,000	0.01	1,000,000	0.01	1,000,000	0.01	1,000,000	0.01	1,000,000	0.01
Mr. Stefanus David Steyn*	—	—	78,618,732	0.57	13,396,674	0.11	92,015,406	0.67	110,698,030	0.78
Dr. David Twist [○]	341,902,722	2.75	406,110,688	2.96	341,902,722	2.75	406,110,688	2.96	419,147,345	2.95
Dr. Lelau Mohuba and his associates*	—	—	20,175,071	0.15	13,785,605	0.11	33,960,676	0.25	40,855,984	0.29
Mr. Neil Robus Crafford-Lazarus [†]	—	—	—	—	2,668,660	0.02	2,668,660	0.02	3,210,499	0.02
Mrs. Sonja Hester Rosser*	—	—	17,399,664	0.13	38,219,645	0.31	55,619,310	0.41	66,912,143	0.47
Electrum Strategic Exploration Limited	2,295,047,831	18.44	2,295,047,831	16.75	2,295,047,831	18.44	2,295,047,831	16.75	2,295,047,831	16.48
GoldCom	1,130,141,116	9.08	1,130,141,116	8.25	—	—	—	—	—	0
Mandra Esop Limited [⊛]	28,218,369	0.23	28,218,369	0.21	28,218,369	0.23	28,218,369	0.21	28,218,369	0.20
Mandra Materials Limited [⊛]	1,608,854,156	12.93	1,608,854,156	11.74	1,608,854,156	12.93	1,608,854,156	11.74	1,608,854,156	11.34
Woo Foong Hong Limited [⊛]	426,530,727	3.43	426,530,727	3.11	426,530,727	3.43	426,530,727	3.11	426,530,727	3.01
Public Shareholders (excluding the Other TG Optionholders and the Other South African Shareholders)	6,611,220,767	53.13	6,611,220,767	48.24	6,611,220,767	53.13	6,611,220,767	48.24	6,611,220,767	46.59
Total	12,442,915,688	100	13,704,936,337	100	12,442,915,688	100	13,704,936,337	100	14,190,636,076	100

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Notes:

- Connected Persons who are entitled to exercise the New TG Optionholder Put Options (the “**TG Connected Persons**”)
- # Connected Persons who are entitled to exercise the New SA Put Options (the “**SA Connected Persons**”)
- * Connected Persons who are both a TG Connected Person and a SA Connected Person
- ※ Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the Shares held by Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited for the purpose of SFO.
- + The Other TG Optionholders and the Other South African Shareholders are public shareholders.

Shareholding of Taung Gold before and after the proposed Transactions

	As at the date of this circular		Assuming all outstanding TG Options held by the TG Optionholders are exercised in full but none of the New TG Optionholder Put Options, the New SA Put Options, the First Refusal Right and the Call Options are exercised (assuming that there are no other changes in the issued share capital of TGL, save for the above and as disclosed in the notes below)		Assuming (i) all outstanding TG Options held by the TG Optionholders are exercised in full and (ii) the New TG Optionholder Put Options and the New SA Put Options are exercised in full or the Call Options are exercised in full or the First Refusal Right is exercised in full (assuming that there are no other changes in the issued share capital of TGL, save for the above and as disclosed in the notes below)	
	<i>Number of Shares</i>	<i>% Interest</i>	<i>Number of Shares</i>	<i>% Interest</i>	<i>Number of Shares</i>	<i>% Interest</i>
The Company (Direct Interest in TGL)	132,300,237	55.94	132,300,237	49.29	177,119,763	65.99
The Company (Indirect Interest in TGL) (Note 1)	30,702,245	12.98	34,822,876	12.97	34,822,876	12.97
Sub-Total	163,002,482	68.92	167,123,113	62.26	211,942,639	78.96
Electrum Strategic Exploration Limited	21,500,000	9.09	21,500,000	8.01	21,500,000	8.01
South African Shareholders	21,174,316	8.95	21,174,316	7.89	—	0
Other shareholding interest held by other shareholders of TGL (Note 2)	30,825,301	13.04	58,607,656	21.84	34,962,446	13.03
Total	236,502,099	100.00	268,405,085	100.00	268,405,085	100.00

Notes:

1. The Company holds 49.9% shareholding interest in Sephaku Gold Holdings Limited, which holds 26.02% shareholding interest in TGL. Therefore, the Company indirectly holds 12.98% shareholding interest of TGL. Under South African laws and regulations, Taung Gold is a company primarily engaged in the exploration and/or development of mineral resources in South Africa and it must have at least 26.0% of its shareholding beneficially owned by historically disadvantaged South Africans, which in the case of Taung Gold is Sephaku Gold Holdings

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Limited. If the New TG Optionholder Put Options or the TG Call Options or the First Refusal Right are exercised in full, Taung Gold may be required to issue up to 8,257,776 new TG Shares so as to comply with the BEE Requirement.

2. For illustration purposes, this row represents the shareholding interest held by Sephaku Gold Holdings Limited in TGL after excluding the indirect interest of TGL held by the Company through Sephaku Gold Holdings Limited.

As disclosed in the Circular and under the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry pursuant to the provisions of Section 100(2) of the MPRDA, Taung Gold is a company primarily engaged in the exploration and/or development of mineral resources in South Africa and it must have at least 26.0% of its shareholding beneficially owned either directly by historically disadvantaged South Africans or by Qualified BEE Company(ies).

As at the Latest Practicable Date, SepGold holds approximately 26.02% of the issued share capital of Taung Gold and SepGold is in turn 100% owned by Arctic. Arctic is a Qualified BEE Company with more than 50% of its shares being controlled by historically disadvantaged South Africans. 49.90% of Arctic's shares are held by Taung Gold BEE Limited, a wholly-owned subsidiary of the Company.

As disclosed in the Circular, Taung Gold and SepGold entered into a vendor financing agreement in 2011 for the purpose of complying with the BEE Requirement pursuant to which Taung Gold granted a loan of the amount of ZAR433,066,688 (equivalent to approximately HK\$317,135,000) to SepGold to enable SepGold to subscribe for such number of additional TG Shares as are necessary to bring SepGold's shareholding in Taung Gold to at least 26.0% by the First Completion (the "**Loan**"). The provision of the Loan has been approved by Shareholders on 19 August 2011 as part of the Acquisition. The entire amount of the Loan remains to be outstanding as at the Latest Practicable Date. The vendor financing agreement has no expiration date but the Loan shall be repayable on or before 31 December 2014 on an interest-free basis. However, if the Loan is not repaid in full by this date, it shall accrue interest at the prime rate quoted by ABSA Bank from time to time plus 4% compounded annually in arrears. 50% of any dividends declared by Taung Gold in any financial year shall be applied in repayment of the Loan. The TG Shares acquired by SepGold pursuant to the Loan shall be pledged to Taung Gold as security for repayment of the Loan. If the New TG Optionholder Put Options or the TG Call Options or the First Refusal Right are exercised in full, Taung Gold may be required to issue up to 8,257,776 new TG Shares to Qualified BEE Company(ies) to comply with the BEE Requirement. Whilst the Company will be making the necessary arrangement to comply with the BEE Requirement, such Qualified BEE Company(ies) may or may not be SepGold. An additional loan amount of up to ZAR 52,259,365 (approximately HK\$38,149,336), which is determined by reference to the weighted-average price of the options at their respective exercise prices for the new TG Shares that may be issued following the full exercise of the TG Options, may also be required to be made to such Qualified BEE Company(ies) to subscribe for up to 8,257,776 new TG Shares. The Company will comply with the applicable Listing Rules requirements before the new TG Shares are issued to the Qualified BEE Company and before the additional loan is granted.

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Assuming that there is no such BEE Requirement, that there will be no other changes in the issued share capital of Taung Gold other than as a result of the full exercise of the TG Options, and the New TG Optionholder Put Options and the New SA Put Options are exercised in full; or if the First Refusal Right or the Call Options are exercised in full, the Company's direct shareholding interest in Taung Gold will increase by approximately 12.15% to approximately 68.09% but its indirect shareholding interest held through SepGold will decrease by 1.18% to 11.80% as compared to the Company's shareholding interest in TGL as at the date of this circular. If the BEE Requirement is taken into consideration, the Company's direct shareholding interest in Taung Gold will increase by approximately 10.05% to approximately 65.99% and its indirect shareholding interest held through SepGold will decrease by 0.01% to 12.97% as compared to the Company's shareholding interest in TGL as at the date of this circular.

Fund Raising Activities in the Past Twelve Months

The Company has not carried out any issue of equity securities for the purpose of fund raising during the twelve months immediately prior to the date of the Company's announcement in relation to the Transactions. Subsequent to the date of such announcement and as at the Latest Practicable Date, as disclosed in the Company's announcement dated 26 September 2014, the Company has conducted a placing of 263,000,000 new Shares, raising net proceeds of approximately HK\$38.63 million. Completion of the placing took place on 13 October 2014 and the net proceeds are intended to be and will be used for working capital of the Group.

Information on Taung Gold and effect of the Company's Shareholding Interest in Taung Gold after Completion of the Transactions

As at the First Completion, the Company held approximately a 75.81% shareholding interest in TGL, which comprises approximately 61.53% direct shareholding interest in TGL and approximately 14.28% indirect shareholding interest in TGL held through Sephaku Gold Holdings Limited, a company held as to 49.9% by the Company. On 28 September 2011, 21,500,000 new TG Shares were issued as a result of the exercise of warrants to subscribe for new TG Shares by a shareholder of TGL. As a result of the increase of the issued share capital of TGL, the Company's direct shareholding interest in TGL was diluted from 61.53% to 55.94% and its indirect shareholding interest in TGL was diluted from approximately 14.28% to approximately 12.98%. The Company's total direct and indirect shareholding interest in TGL was accordingly decreased to approximately 68.92%. There were no other changes in the Company's shareholding interest in TGL from the date of the First Completion to the Latest Practicable Date. Currently, the Company has the intention to take further actions to give effect to the transactions contemplated under the Acquisition, which may further increase the Company's shareholding interest in TGL.

If the New TG Optionholder Put Options and the New SA Put Options are exercised in full or if the First Refusal Right or the Call Options are exercised in full and assuming that there will be no other changes in the issued share capital of Taung Gold other than due to the full exercise of the TG Options and the issue of up to 8,257,776 new TG

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Shares to comply with the BEE Requirement, the Company's direct shareholding interest in Taung Gold will increase by approximately 10.05% to approximately 65.99% as compared to the Company's shareholding interest in TGL as at the date of this circular. Taung Gold is engaged in the acquisition, exploration and development of mineral assets in respect of gold (and minerals associated with gold) located in the Republic of South Africa.

As at 31 March 2014, the audited net assets of Taung Gold amounted to ZAR1,181,302,916 (approximately HK\$862,351,129) which were mainly attributable to total assets of ZAR1,192,236,251 (approximately HK\$870,332,463) and total liabilities of approximately ZAR10,965,535 (approximately HK\$8,004,841).

Financial Information of Taung Gold

According to the audited financial statements of the Company for the year ended 31 March 2014, the audited financial results of Taung Gold are as follows:

	Net loss before taxation		Net loss after taxation	
	(ZAR)	(HKD)	(ZAR)	(HKD)
For the year ended 31 March 2013	2,906,019	2,121,394	2,906,019	2,121,394
For the year ended 31 March 2014	27,498,797	20,074,122	27,498,797	20,074,122

The original acquisition cost of the assets of each of the connected persons

Original acquisition cost of SA TG Shares held by South African Shareholders

Name of the connected person	SA TG Shares held	Original acquisition cost (ZAR)
Mr. Christiaan Rudolph de Wet de Bruin and his associates	7,562,676	7,716,687
Mr. Neil Andrew Herrick	4,500	22,500
Mr. Stefanus David Steyn	251,000	1,024,700
Dr. Lelau Mohuba and his associates	258,287	644,457
Mr. Neil Robus Crafford-Lazarus	50,000	5,000
Mrs. Sonja Hester Rosser	716,083	2,123,353

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Original cost of TG Optionholder TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options

Name of the connected person	TG Optionholder TG Shares that may be acquired upon full exercise of the TG Options	Original acquisition cost (costs on exercising the TG Options) (ZAR)
Mr. Christiaan Rudolph de Wet de Bruin	1,701,210	10,824,361
Mr. Neil Andrew Herrick	2,015,000	12,523,500
Mr. Igor Levental	765,000	4,764,375
Mr. Stefanus David Steyn	1,473,000	9,348,075
Dr. David Twist	1,203,000	7,479,450
Dr. Lelau Mohuba	378,000	2,467,575
Mrs. Sonja Hester Rosser	326,000	2,064,150

Information on the South African Shareholders and TG Optionholders

The South African Shareholders are shareholders of Taung Gold who are residents in South Africa. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the South African Shareholders comprise the Connected South African Shareholders, who are connected persons of the Company, and other persons who are independent of the Group and connected person(s) (as defined in the Listing Rules) of the Group.

The TG Optionholders are holders of the options in Taung Gold which entitle them to acquire up to 23,645,210 TG Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the TG Optionholders comprise the Connected TG Optionholders, who are connected persons of the Company, and other persons who are independent of the Group and connected person(s) (as defined in the Listing Rules) of the Group. Some of the TG Optionholders are also South African Shareholders.

Reasons and benefits for the Transactions

The Company is an investment holding company and its subsidiaries are principally engaged in the exploration and development of gold assets in the Republic of South Africa. The Shares are listed on the Main Board of the Stock Exchange.

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Reasons and benefits for entering into the New SA Put Option Agreements and New TG Optionholder Agreements

The Acquisition demonstrates the commitment of the Company to continue operating in the gold mining business. As a result of the Board's general optimism about the global gold mining industry, the Board sought further opportunities to develop its gold mining business and expand into the gold mining business globally. The Board believes that the Acquisition will strengthen the Company's further development in the gold mining business and will benefit the Company and all the Shareholders as a whole.

Because of the suspension of trading of the Shares from 8 June 2012 to 2 May 2014, the Acquisition was prevented from completing in full. For purpose of compensating holders of the SA Put Options and the TG Optionholder Put Options and to continue with the Acquisition, the Company proposed the grant of the New SA Put Options and the grant of the New TG Optionholder Put Options. Further, with respect to the grant of the New TG Optionholder Put Options, the TG Options were granted with an exercise period of five years and shall expire between 1 June 2015 to 1 November 2015. Given that the TG Options are still exercisable for up to more than one year and that the TG Optionholders have been deprived of the opportunities to exercise their TG Options due to the uncertainties arising from the suspension of trading of the Shares which lasted for almost two years, the Directors consider that it is fair and reasonable for the New TG Optionholder Put Options to be exercisable for approximately two years. Depending on the amount of outstanding TG Options at the relevant times, the Company may also consider extending the exercise period of the TG Options to match the exercise period under the New TG Optionholder Put Options.

It was also originally contemplated as part of the Acquisition in 2011 that the TG Optionholder Put Options would grant TG Optionholders the right to sell up to 100% of the TG Shares held by them upon exercise of the TG Options to the Company through GoldCom. The terms of the TG Optionholder Put Options were subsequently determined to reduce such amount to up to 80% of the TG Shares held by the TG Optionholders upon exercise of the TG Options due to compliance with the applicable requirements under Chapter 15 of the Listing Rules at the time. The New TG Optionholder Put Options (which now cover the remaining 20% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options (i.e. in addition to the 80% TG Shares covered under the TG Optionholder Put Options)) are therefore proposed to complete the originally envisaged arrangement in connection with the Acquisition.

The First Refusal Right allows the Company, at its sole discretion, to match offers made by third party purchasers by adjusting the number of consideration shares to be issued for each TG Share in proportion to the price offered by third parties. The Company considers that the adjustment mechanism of the First Refusal Right is fair and reasonable in that it will result in the issuance of an adjusted number of consideration shares that is fair and equitable to both the Company and the TG Optionholders or the South African Shareholders and enhance the ability of the Company to match offers made by third parties to acquire those TG Shares. Before exercising any First Refusal Right, the Directors will consider the prevailing circumstances such as the market conditions, the

LETTER FROM THE BOARD

Share price, the prospect of gold mining industry and other relevant factors at that time in determining the fairness and reasonableness of the New Price and whether to exercise the First Refusal Right.

Further, as disclosed in the Company's annual report for the year ended 31 March 2014, the Company is in the process of finalizing feasibility studies on its two major assets and is also considering its options regarding funding of these projects. One of the options is to attract potential strategic investors into the Company in what potentially could be a Change of Control transaction. The Company has approached and had some very preliminary discussions with a potential strategic investor to explore with the investor potential investment opportunities in the Company. However, given such discussions were at a very preliminary stage, there were no formal understanding or agreements between the parties as to whether such investment proposal would result in a Change of Control transaction. Moreover, the Company has ceased discussions with such investor in early 2014 and as at the Latest Practicable Date, the Company has neither resumed discussion with such investor on any proposal to invest in the Company nor entered into any formal or legally binding agreement regarding any transaction that would result in a Change of Control. As illustrated by the Acquisition, the Company's intention has always been to hold a substantial stake in TGL. The Company believes that a more substantial interest in its principal subsidiary, TGL, would not only further enhance the value of the Company but would also enhance its ability to attract investors. In the event that a strategic investor wants to invest in the Company and if it also wants to acquire Control of the Company, it may want the Company to be able to increase its interest in TGL quickly and not have to wait until the South African Shareholders or the TG Optionholders fully exercise their respective New SA Put Options or the New TG Optionholder Put Options, which could take until September 2016 to complete. Therefore, by granting of the New SA Put Options and the New TG Optionholder Put Options, the Directors also propose the grant of the Call Options so that the Company would be more attractive to any potential strategic investor who also wants to acquire Control in the Company. The Call Options are therefore proposed to achieve such purpose.

If (a) the New TG Optionholder Put Options and the New SA Put Options are exercised in full; or (b) the First Refusal Right or the Call Options are exercised in full and assuming that there will be no other changes in the issued share capital of Taung Gold other than due to the full exercise of the TG Options and the issue of up to 8,257,776 new TG Shares to comply with the BEE Requirement, the Company's direct shareholding interest in Taung Gold will increase by approximately 10.05% as compared to the Company's shareholding interest in TGL as at the date of this circular. The Board continues to believe that the rationale to increase the Company's shareholding interest in TGL was, and remains, in the best interests of the Company and its Shareholders as a whole for the following reasons:

- The gold project located in the Evander Six Shaft area and the Twistdraai area situated in the Evander goldfield in the Mpumalanga Province of South Africa.
- The gold project located in the Jeanette area within the Welkom goldfield in the Free State Province of South Africa.

LETTER FROM THE BOARD

- TGL has a substantial total mineral resource in excess of 25 million ounces of gold in one of the world's most prominent gold mining districts in South Africa. The Directors believe that such large, quality mineral resources are indeed quite unique, especially considering that they are situated in areas in close proximity to associated infrastructure and services.
- The Company currently anticipates that TGL's flagship assets, when in production, will have cash operating costs that will be in the lowest 25% quartile on the gold industry cost curve.
- The Directors continue to believe that the long term outlook for the price of gold, and hence the gold mining industry, will remain buoyant.
- Since the First Completion, TGL has invested in further exploration work at its two flagship projects and through this work has (a) increased the Measured and Indicated Resource from 11.7 million ounces to 15.4 million ounces of gold and (b) has defined more accurate structural models for the orebodies.
- Reference is also made to the timetables of key steps to commercial production of the Evander Project and Jeanette Project as set out in pages 101 and 108 of the Circular, respectively. As stated in the Circular, it was estimated that (i) bankable feasibility study of the Evander Project would be completed by the first half of 2013; (ii) its project construction phase would be completed by the first half of 2014; and (iii) its production would have started from the second half of 2014. The Company currently estimates that (i) the bankable feasibility study of the Evander Project shall be completed by the third quarter of 2014; (ii) its project construction phase shall be completed by 2021; and (iii) its production shall start at that time.

Further, as disclosed in the Circular, it was estimated that (i) the pre-feasibility study of the Jeanette Project would be completed by the first half of 2012; (ii) its bankable feasibility study would be completed by the first half of 2013; (iii) its project construction phase would have started from the second quarter of 2013; and (iv) the production would have started from the beginning of 2016. The Company currently estimates that (i) the pre-feasibility study of the Jeanette Project shall be completed by the third quarter of 2014; (ii) its bankable feasibility study shall be completed by September 2015; (iii) its project construction phase shall start from April 2016; and (iv) its production would start from 2022. The abovementioned dates relating to the two projects are subject to final confirmation on completion of the feasibility studies.

The estimated timetables as disclosed in the Circular were estimated based on the Scoping Studies for the two projects that were completed by TGL in 2010. The Scoping Studies were then the subject of a competent persons report which was included in the Circular. Since the completion of the Acquisition in 2011 the Company experienced the incident which led to the Shares of the Company being suspended from 6 June 2012 until 2 May 2014 (the "**Incident**"). During this time and whilst settlement agreement negotiations to resolve the Incident

LETTER FROM THE BOARD

were underway, the raising of finance by either the Company or TGL was not possible and hence the project timelines anticipated in the Circular were unable to be met. In addition, and also resultant from the uncertainty caused by the Incident, TGL also slowed down some of the feasibility work during the period of such Incident in order to conserve cash. Nevertheless, the Company will be completing the bankable feasibility study for the Evander Project and the pre-feasibility study for the Jeanette Project during the second quarter of the current financial year and these studies will define much more accurate timelines based on significantly increased accuracy of engineering design and scheduling, commensurate with the level of the studies being undertaken. It is also important to note that the projects are also being optimized in order to further enhance their economic performance.

Since the completion of the Acquisition in 2011, TGL has invested funds in further exploration of the mineral resources at each of the two projects and was able to upgrade a further 3.7 million ounces of gold from the Inferred category into the Indicated category, increasing the total Measured and Indicated Resource to 15.4 million ounces, an increase of over 30%. Furthermore, the work done by TGL has also significantly increased the level of confidence in the geological structure model for each project. This means that not only are the feasibility studies presently underway being conducted on an enlarged Measured and Indicated Resource of 15.4 million ounces, but also that the mine design and scheduling will be significantly enhanced as a result of the much higher level of confidence in the structural models. As TGL is the Company's major subsidiary and the future major income source, the Directors consider that the Transactions can offer the Company an opportunity to further consolidate its control in the Evander and Jeanette Projects and the Transactions are therefore in the interests of the Company and its Shareholders as a whole, despite the fact that there was the unexpected delay in construction of these projects caused by the Incident.

The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from Nuada Limited) consider that the terms of the Transactions are fair and reasonable and on normal commercial terms and the Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Listing Rules Implications

The New TG Optionholder Put Options (with provisions for the TG First Refusal Right) are granted in accordance with the requirements under Chapter 15 of the Listing Rules and therefore they are subject to the approval of the Stock Exchange and the Shareholders under the Listing Rules. The requirements under Rule 15.02 of the Listing Rules in respect of the grant of the New TG Optionholder Put Options are satisfied as follows:

- (i) up to 1,518,258,797 new Shares may be issued following the full exercise of the TG First Refusal Right at the Maximum Share Exchange Ratio granted under the New TG Optionholder Put Options, or up to 1,262,020,649 new Shares may be issued following the full exercise of the New TG Optionholder Put Options, the higher of which, when aggregated with all the Company's other equity securities which remain to be issued on exercise of any other subscription rights (excluding options granted under the Company's share option scheme in accordance with Chapter 17 of the Listing Rules), would not exceed 20% of the issued share capital of the Company upon the issue of such put options; and
- (ii) the New TG Optionholder Put Options have a term of less than two years and would not be convertible into further rights to subscribe for securities which expire less than one year or more than five years after the date of the grant of the New TG Optionholder Put Options.

If the First Refusal Right or the Call Options are exercised in full, in addition to the GoldCom Consideration Shares which have already been issued, up to 1,747,720,388 new Shares (comprising the Additional SA First Refusal Right Consideration Shares and the TG First Refusal Right Consideration Shares) or 1,262,020,649 new Shares (comprising the New Put Option Consideration Shares) will be issued, respectively. The applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the possible exercise of the First Refusal Right or the Possible Exercise exceed 5% but are less than 25%, they constitute a disclosable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements thereunder.

Further, if (a) the New TG Optionholder Put Options and the New SA Put Options are exercised in full; or (b) the First Refusal Right or the Call Options are exercised in full and assuming that there will be no other changes in the issued share capital of Taung Gold other than due to the full exercise of the TG Options and the issue of up to 8,257,776 new TG Shares to comply with the BEE Requirement, the Company's direct shareholding interest in Taung Gold will increase by approximately 10.05% as compared to the Company's shareholding interest in TGL as at the date of this circular ("**TG Acquisition**"). As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the TG Acquisition exceed 5% but all the percentage ratios are less than 25%, the TG Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements thereunder.

LETTER FROM THE BOARD

Moreover, the Connected TG Optionholders and the Connected South African Shareholders are connected persons of the Company under the Listing Rules. Therefore, (i) the grant of the New TG Optionholder Put Options to the Connected TG Optionholders and the grant of the New SA Put Options to Connected South African Shareholders; (ii) the issue of the New Put Option Consideration Shares, the First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares; and (iii) the Possible Exercise of the Call Options or the possible exercise of the First Refusal Right granted by the the Connected TG Optionholders and the Connected South African Shareholders constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules and are subject to the independent shareholders' approval and the reporting and announcement requirements thereunder.

2. SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of Special General Meeting is set out on pages 70 to 74 of this circular. A form of proxy for use at the Special General Meeting is also enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, at the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 22 Level, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish.

Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick and Mr. Igor Levental, who are Directors of the Company, have material interests in the Connected Transactions to which they are parties and therefore they have abstained from voting on the resolutions of the Board passed in connection with the approval of the Connected Transactions. The Connected TG Optionholders have a material interest in the grant of the New TG Optionholder Put Options, the possible exercise of the TG First Refusal Right and the possible exercise of the TG Call Options. Accordingly, the Connected TG Optionholders and their respective associates will abstain from voting at the Special General Meeting to be convened, among other things, to approve the relevant Connected Transactions and the relevant Specific Mandate. As at the Latest Practicable Date, the Connected TG Optionholders and their associates held and controlled the voting rights of 341,902,722 Shares, representing approximately 2.81% of the issued share capital of the Company. Further, the Connected South African Shareholders have a material interest in the grant of the New SA Put Options, the possible exercise of the SA First Refusal Rights and the possible exercise of the SA Call Options. Accordingly, the Connected South African Shareholders and their respective associates will abstain from voting at the Special General Meeting to be convened, among other things, to approve the relevant Connected Transaction. As at the Latest Practicable Date, no Connected South African Shareholders or any of their associates held and controlled any voting rights of the Shares.

LETTER FROM THE BOARD

3. VOTE BY POLL

Under Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the Special General Meeting will be taken by way of poll.

4. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 47 to 48 of this circular in connection with the Connected Transactions. Your attention is also drawn to the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders in connection with the Connected Transactions and the principal factors and reasons considered by it in arriving at such advice set out on pages 49 to 65 of this circular.

The Independent Board Committee, having taken into account the advice of Nuada Limited, considers that the terms of the Connected Transactions are fair, reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions for approving the Connected Transactions at the Special General Meeting.

5. GENERAL INFORMATION

An Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Connected Transactions are fair and reasonable and whether the Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole after taking into account the recommendations made by Nuada Limited. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Connected Transactions are fair and reasonable and whether the Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole.

Your attention is also drawn to the additional information as set out in Appendix I to this circular as required under the Listing Rules.

Yours faithfully,
By order of the Board
TAUNG GOLD INTERNATIONAL LIMITED
Li Hok Yin
Co-chairman

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

To the Independent Shareholders

Dear Sir or Madam,

- (1) GRANT OF NEW PUT OPTIONS TO TG OPTIONHOLDERS**
- (2) GRANT OF NEW SA PUT OPTIONS
TO SOUTH AFRICAN SHAREHOLDERS**
- (3) GRANT AND POSSIBLE EXERCISE OF CALL OPTIONS**
- (4) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to the circular issued by the Company to its shareholders dated 4 November 2014 (the “**2014 Circular**”) of which this letter forms part. Capitalised terms defined in the 2014 Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders on whether the terms of the Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interest of the Company and the Shareholders taken as a whole.

Nuada Limited has been appointed as independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board as set out on pages 47 to 48 of the 2014 Circular and the letter from the Independent Financial Adviser as set out on pages 49 to 65 of the 2014 Circular which contains, among other things, its advice and recommendations to us and the Independent Shareholders regarding the Connected Transactions, and the principal factors and reasons taken into consideration for its advice and recommendations.

RECOMMENDATION

Having considered, among other matters, the factors and reasons considered by, and the recommendations of, the Independent Financial Adviser as stated in its letter of advice, we consider that the Connected Transactions are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Connected Transactions and the Specific Mandate at the Special General Meeting.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Taung Gold International Limited

Chui Man Lung, Everett Li Kam Chung Walter Thomas Segsworth
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter prepared by Nuada Limited setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F
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香港上環永樂街93-103號
協成行上環中心18樓1805-08室

4 November 2014

*To the Independent Board Committee
and the Independent Shareholders
of Taung Gold International Limited*

Dear Sirs,

**(1) GRANT OF NEW PUT OPTIONS TO TG OPTIONHOLDERS
(2) GRANT OF NEW SA PUT OPTIONS
TO SOUTH AFRICAN SHAREHOLDERS
(3) GRANT AND POSSIBLE EXERCISE OF CALL OPTIONS
AND
(4) ISSUE OF SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the grant of New Put Options to TG Optionholders; (ii) the grant of New SA Put Options to South African Shareholders; (iii) the grant and possible exercise of Call Options; and (iv) the issue of Shares under Specific Mandate (the “**Transactions**”), details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular dated 4 November 2014 (the “**2014 Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the 2014 Circular unless the context otherwise requires.

References are made to the Circular in relation to, among other things, the Acquisition and the announcement dated 5 September 2014 in relation to the Transactions.

As disclosed in the Circular, in connection with the Acquisition, (i) GoldCom, Taung Gold and the Company entered into the SA Put Option Agreements with each South African Shareholder; and (ii) GoldCom, Taung Gold and the Company would enter into the TG Optionholder Agreements with each TG Optionholder. The SA Put Options were granted under the relevant SA Put Option Agreements for a period of three years from 8 September 2011 and have expired on 7 September 2014. Further, as disclosed in the Circular, the TG Optionholders are holders of the TG Options and the TG Optionholder Put Options granted the TG

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Optionholders the right to sell a maximum number of 18,916,168 TG Shares (representing 80% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company for a maximum of new 1,009,616,519 Shares or cash.

The TG Optionholder Put Options expired on 7 September 2014 and none of the TG Optionholder Put Options had been exercised before they expired. On 5 September 2014, the Company, GoldCom and Taung Gold entered into the New TG Optionholder Agreements with each of the TG Optionholders and pursuant to the agreements, the Company has granted the TG Optionholders the right to sell a maximum number of 23,645,210 TG Shares (representing the full 100% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company through GoldCom during the period commencing from the date upon which the conditions under the New TG Optionholder Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016 for a maximum of 1,262,020,649 New Put Option Consideration Shares at the Issue Price or cash. Under the New TG Optionholder Agreements, the TG Optionholders have also granted the Company the First Refusal Right and the TG Call Options to acquire the TG Optionholder TG Shares.

Similarly, the SA Put Options expired on 7 September 2014 and none of the SA Put Options had been exercised before they expired. On 5 September 2014, the Company, GoldCom, and Taung Gold also entered into the New SA Put Option Agreements with the South African Shareholders to grant the South African Shareholders the right to sell a maximum number of 21,174,316 TG Shares to the Company through Goldcom during the period commencing from the date upon which the conditions under the New SA Put Option Agreements are satisfied or waived (as the case may be) and ending on 7 September 2016. Under the New SA Put Option Agreements, the South African Shareholders have also granted the Company, the SA First Refusal Right and the SA Call Options to acquire the SA TG Shares.

The Independent Board Committee comprising all three of the independent non-executive Directors, namely, Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Walter Thomas Segsworth, has been established to advise the Independent Shareholders in connection with the Connected Transactions.

Nuada Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered and relied on, among other things, the information, opinions and representations contained or referred to in the Circular and the 2014 Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and the 2014 Circular and all information and representations which have been provided by the management of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the SGM.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular and the 2014 Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the 2014 Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the 2014 Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the 2014 Circular misleading. Furthermore, we relied on the Company that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Transactions, we have considered the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the exploration and development of gold assets in South Africa. The Shares are listed on the Main Board of the Stock Exchange.

The table below summarised the audited financial results and positions of the Group for each of the two years ended 31 March 2013 and 31 March 2014 as extracted from the Company's annual report for the year ended 31 March 2014 (the "Annual Report"):

	For the year ended 31 March	
	2014	2013
	(HK\$'000)	(HK\$'000)
Revenue	4,156	4,592
Cost of sales	<u>(4,114)</u>	<u>(4,564)</u>
Gross profit	<u>42</u>	<u>28</u>
Loss for the year	<u>(1,023,579)</u>	<u>(127,264)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March 2014	As at 31 March 2013
Non-current assets	4,401,570	5,438,022
Current assets	159,126	397,481
Current liabilities	(295,407)	(415,759)
 Total equity	 4,265,712	 5,420,194

As stated in the Annual Report, for the year ended 31 March 2014, the Group has recorded a turnover of approximately HK\$4,156,000 (2013: HK\$4,592,000) which represents a decrease of 9.49% compared with the turnover recorded in the last financial year. The Group recorded a net loss of approximately HK\$1,023,579,000 compared with a net loss attributable of approximately HK\$127,264,000 for the last financial year during which an impairment loss on the Group's Jeanette Project of approximately HK\$1,111,439,000 was recognized.

2. Update on the status of gold mine projects

Taung Gold is engaged in the acquisition, exploration and development of mineral assets in respect of gold (and minerals associated with gold) located in South Africa. As stated in the Circular, a copy of a competent persons report (the "**Competent Persons Report**"), being an independent competent persons report on the South Africa gold assets of the group companies of Taung Gold, was set out in Appendix IV to the Circular. The Competent Persons Report describes and documents all of Taung Group's projects, including the assets of the Taung Group's primary projects, namely the Evander Project in the Mpumalanga Province of South Africa and the Jeanette Project in the Free State Province of South Africa. In particular, the Competent Persons Report states that the total estimated Measured and Indicated gold resources of the Evander Project and the Jeanette Project amount to an aggregate of 11.725 million ounces. The estimated Measured and Indicated gold resources of each project were set out in the Circular (determined in accordance with the JORC Code and SAMREC Code)

As stated in the Annual Report, since the publication of the Circular the combined Measured Resource (as defined in the Listing Rules) and Indicated Resource (as defined in the Listing Rules) for the two projects has increased from 11.7 million ounces to 15.4 million ounces of gold, an increase of approximately 31.6%. This increase was achieved through focused exploration activities in 2011 and 2012 that targeted the upgrade of Inferred Resource (as defined in the Listing Rules) into the Indicated Resource category and from improved geological structural models at each project, based on surface drilling campaigns at both projects and, in the case of Jeanette, a full three dimensional reflective seismic survey programme. The Evander (bankable feasibility study) and Jeanette (pre-feasibility study) projects are targeting 5.4 million ounces and 9.9 million ounces of Measured and Indicated Resource respectively and the conclusion of these studies in the next few months will herald the declaration of a maiden JORC/SAMREC (as defined in the Listing Rules) compliant Probable Reserve (as defined in the Listing Rules) for each project. The design, scheduling, costing and financial modeling for each project is being carried out by independent consultants

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and engineering specialists under the guidance of the Group's management. All engineering designs and work methodologies are approved by independent professional persons registered with the Engineering Council of South Africa, a statutory body established in terms of the Engineering Profession Act (EPA), 46 of 2000.

We have also reviewed the timetables of key steps to commercial production of the Evander Project and Jeanette Project as set out in the pages 101 and 108 of the Circular, respectively.

As stated in the Circular, it was estimated that (i) bankable feasibility study of the Evander Project would be completed by 1st half of 2013; (ii) its project construction phase would be completed by 1st half of 2014; and (iii) its production would have started from 2nd half of 2014. However, we are advised by the Company that it is now estimated that (i) bankable feasibility study of the Evander Project shall be completed by 3rd quarter of 2014; (ii) its project construction phase shall be completed by 2021; and (iii) its production shall start at that.

According to the Circular, it was estimated that (i) the pre-feasibility study of the Jeanette Project would be completed by 1st half of 2012; (ii) its bankable feasibility study of which would be completed by 1st half of 2013; (iii) its project construction phase would have started from 2nd quarter of 2013; and (iv) the production would have started from the beginning of 2016. However, we are advised by the Company that it is now estimated that (i) the pre-feasibility study of the Jeanette Project shall be completed by 3rd quarter of 2014; (ii) its bankable feasibility study of which shall be completed by September 2015; (iii) its project construction phase shall start from April 2016; and (iv) the production would start from 2022.

The abovementioned dates relating to the two projects are subject to final confirmation on completion of the feasibility studies.

We have discussed with the senior management of the Company the reasons for the deviation of the original timetables and actual progress of these projects. We understand that the timetables disclosed in the Circular were based on Scoping Studies for the two Projects that were completed by Taung Gold in 2010. The Scoping Studies were then the subject of a Competent Persons Report and which was included in the Circular. Since the completion of the Acquisition in 2011, the Company experienced the incident and the shares of the Company were suspended from 6 June 2012 until 2 May 2014 ("**Incident**"). During this time and whilst settlement agreement negotiations were underway, the raising of finance by either the Company or Taung Gold was not possible and hence the project timelines anticipated in the Circular were unable to be met. In addition, and also resultant from the uncertainty caused by the Incident, Taung Gold also slowed down some of the feasibility work during the period of such Incident in order to conserve cash. Nevertheless, the Company will be completing the bankable feasibility study for the Evander Project and the pre-feasibility study for the Jeanette Project during the second quarter of the current financial year and these studies will define much more accurate timelines based on significantly increased accuracy of engineering design and scheduling, commensurate with the level of the studies being undertaken. It is also important to note that the projects are also being optimized in order to further enhance their economic performance.

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Since the completion of the Acquisition in 2011, we understand that Taung Gold has invested funds in further exploration of the Mineral Resources at each of the two projects and was able to upgrade a further 3.7 million ounces of gold from the Inferred category into the Indicated category, increasing the total Measured and Indicated Resource to 15.4 million ounces, an increase of over 30%. Furthermore, the work done by Taung Gold has also significantly increased the level of confidence in the geological structure model for each project. This means that not only are the feasibility studies presently underway being conducted on an enlarged Measured and Indicated Resource of 15.4 million ounces, but also that the mine design and scheduling will be significantly enhanced as a result of the much higher level of confidence in the structural models. As Taung Gold is the Company's major subsidiary and the future major income source, we consider the Transaction can offer the Company an opportunity to further consolidate its control in the Evander and Jeanette Projects and the Transactions are therefore in the interests of the Company and its Shareholders as a whole despite the fact that the unexpected delay in construction of these projects.

As at the Latest Practicable Date, the Company directly and indirectly holds approximately 68.92% of the shareholding interest in Taung Gold. If the New TG Optionholder Put Options and the New SA Put Options are exercised in full or if the Call Options are exercised in full and assuming that there will be no other changes in the issued share capital of Taung Gold, the Company's total shareholding interest in Taung Gold will increase by approximately 10.04% to approximately 78.96%.

As information attained from the website of the World Bank, the gold price per ounce increased from approximately US\$281.51 in January 2002 to approximately US\$1,684.76 in December 2012, representing a compounded annual growth rate of 17.66%. However, there were significant price fluctuations in the commodity markets during 2013 and 2014. For the first half of 2013, the gold price per ounce reached its peak for 2013 of approximately US\$1,670 in January 2013, and decreased to approximately US\$1,237 as in September 2014.

3. Reasons for the Transactions

As stated in the 2014 Circular, the Acquisition demonstrates the commitment of the Company to continue operating in the gold mining business. As a result of the Board's general optimism about the global gold mining industry, the Board sought further opportunities to develop its gold mining business and expand into the gold mining business globally. The Board believes that the Acquisition will strengthen the Company's further development in the gold mining business and will benefit the Company and all the Shareholders as a whole.

Because of the suspension of trading of the Shares from 8 June 2012 to 2 May 2014, the Acquisition was prevented from completing in full. For purpose of compensating holders of the SA Put Options and the TG Optionholder Put Options and to continue with the Acquisition, the Company proposed the grant of the New SA Put Option and the grant of New TG Optionholder Put Options. Further, with respect to the grant of the New TG Optionholder Put Options, the TG Options were granted with an exercise period of five years and shall expire between 1 June 2015 to 1 November 2015. Given that the TG Options are still exercisable for up to more than one year and that the TG Optionholders have been deprived of the opportunities to exercise their TG Options due to the uncertainties arising from the suspension of trading of the Shares

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which lasted for almost two years, the Directors consider that it is fair and reasonable for the New TG Optionholder Put Options to be exercisable for approximately two years. Depending on the amount of outstanding TG Options at the relevant times, the Company may also consider extending the exercise period of the TG Options to match the exercise period under the New TG Optionholder Put Option.

As stated in the 2014 Circular, it was originally contemplated as part of the Acquisition in 2011 that the TG Optionholder Put Options would grant TG Optionholders the right to sell up to 100% of the TG Shares held by them upon exercise of the TG Options to the Company through GoldCom. The terms of the TG Optionholder Put Options were subsequently determined to reduce such amount to up to 80% of the TG Shares held by the TG Optionholder upon exercise of the TG Options due to compliance with the applicable requirements under Chapter 15 of the Listing Rules at the time. The New TG Optionholder Put Options (which now include the remaining 20% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options (i.e. in addition to the 80% TG Shares covered under the TG Optionholder Put Options)) are therefore proposed to complete the originally envisaged arrangement in connection with the Acquisition.

Pursuant to the New SA Put Option Agreements and the New TG Optionholders Agreements, the Company also accepts the Call Options granted by the South African Shareholders and the TG Optionholders. We are advised by the Directors that the grant and the acceptance of the Call Options will provide the Company with flexibility and right to acquire the further interest of Taung Gold from TG Optionholder (assuming the TG Optionholders having exercised the TG Options) and the South African Shareholders in the event of any future fund raising for the Evander and Jeanette projects or the introduction any new strategic investors which may lead to a Change of Control.

According to the Directors, it is the policy of the Company to continue its business in the exploration and development of gold mines in South Africa. If (a) the New TG Optionholder Put Options and the New SA Put Options are exercised in full; or (b) the First Refusal Right or the Call Options are exercised in full and assuming that there will be no other changes in the issued share capital of Taung Gold other than due to the full exercise of the TG Options and the issue of up to 8,257,776 new TG Shares to comply with the BEE Requirement, the Company's direct shareholding interest in Taung Gold will increase by approximately 10.05% as compared to the Company's shareholding interest in TGL as at the date of this circular. The Board continues to believe that the rationale to increase the Company's shareholding interest in TGL was, and remains, in the best interests of the Company and its Shareholders as a whole for the following reasons:

- The gold project located in the Evander Six Shaft area and the Twistdraai area situated in the Evander goldfield in the Mpumalanga Province of South Africa.
- The gold project located in the Jeanette area within the Welkom goldfield in the Free State Province of South Africa.

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- TGL has a substantial total mineral resource in excess of 25 million ounces of gold in one of the world's most prominent gold mining districts in South Africa. The Directors believe that such large, quality mineral resources are indeed quite unique, especially considering that they are situated in areas in close proximity to associated infrastructure and services.
- The Company currently anticipates that TGL's flagship assets, when in production, will have cash operating costs that will be in the lowest 25% quartile on the gold industry cost curve.
- The Directors continue to believe that the long term outlook for the price of gold, and hence the gold mining industry, will remain buoyant.
- Since the First Completion, TGL has invested in further exploration work at its two flagship projects and through this work has (a) increased the Measured and Indicated Resource from 11.7 million ounces to 15.4 million ounces of gold and (b) has defined more accurate structural models for the orebodies.

we consider that the reasons for the Transactions are fair and reasonable.

4. Major terms of the New SA Put Option Agreements and the New TG Optionholder Agreements

Consideration for acquiring further interest in Taung Gold

As at the Latest Practicable Date, the Company directly and indirectly holds approximately 68.92% of the shareholding interest in Taung Gold.

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The below table shows the shareholding of Taung Gold before and after the Transactions:

	Assuming all outstanding TG Options held by the TG Optionholders are exercised in full but none of the New TG Optionholder Put Options, the New SA Put Options and the Call Options are exercised (assuming that there are no other changes in the issued share capital of TGL, save for the above and as disclosed in the notes below)	Assuming (i) all outstanding TG Options held by the TG Optionholders are exercised in full and (ii) the New TG Optionholder Put Options and the New SA Put Options are exercised in full or the Call Options are exercised in full (assuming that there are no other changes in the issued share capital of TGL, save for the above and as disclosed in the notes below)	
	As at the date of this circular % Interest (approximately)	% Interest (approximately)	% Interest (approximately)
The Company (Direct Interest in TGL)	55.94	49.29	65.99
The Company (Indirect Interest in TGL) (Note 1)	12.98	12.97	12.97
Sub-Total	68.92	62.26	78.96
Electrum Strategic Exploration Limited	9.09	8.01	8.01
South African Shareholders	8.95	7.89	0
Other shareholding interest held by other shareholders of TGL (Note 2)	13.04	21.84	13.03
Total	100.00	100.00	100.00

Notes:

1. The Company holds approximately 49.9% shareholding interest in SepGold, which holds approximately 26.02% shareholding interest in TGL. Therefore, the Company indirectly holds approximately 12.98% shareholding interest of TGL. Under South African laws and regulations, Taung Gold is a company primarily engaged in the exploration and/or development of mineral resources in South Africa and it must have at least 26.0% of its shareholding beneficially owned by historically disadvantaged South Africans, which in the case of Taung Gold is SepGold. If the New TG Optionholder Put Options or the TG Call Options are exercised in full, Taung Gold may be required to issue up to 8,257,776 new TG Shares so as to maintain a minimum of 26.0% BEE shareholding interest in Taung Gold. Please refer to the BEE Requirement as stated in the Letter from the Board.

2. For illustration purposes, this represents the shareholding interest held by SepGold in TGL after excluding the indirect interest of TGL held by the Company through SepGold.

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As stated in the shareholding table of Taung Gold in the Letter from the Board, in the event that the all of outstanding options held by the TG Optionholders are exercised in full and the New TG Optionholder Put Options and the Call Options are not granted and exercised, the total shareholding interest in Taung Gold held by the Company therefore will decrease to approximately 62.26%. If the New TG Optionholder Put Options and the New SA Put Options or if the Call Options are exercised in full thereafter, the Company's shareholding interest in Taung Gold would therefore increase by approximately 16.70% to approximately 78.96% from 62.26%.

As consideration of such 16.70% interest of Taung Gold, an aggregate of up to 2,392,161,765 Shares (including the GoldCom Consideration Share of up to 1,130,141,116 Shares and the Possible Exercise Consideration Shares of up to 1,262,020,649) would be allotted to the South African Shareholders and the TG Optionholder(s). Based on the closing price of the Share as quoted on the Stock Exchange on 5 September 2014, being the date of the New TG Optionholder Agreements and the New SA Put Option Agreements, the market value of the Shares, which is the consideration for 16.70% of Taung Gold, is HK\$540,628,558.89.

We have reviewed the Annual Report and note that the exploration assets held by Taung Gold (which are the Evander and Jeanette Projects) amounted to approximately HK\$3,925 million as at 31 March 2014. In the event that the outstanding options held by the TG Optionholders are exercised in full, the total value of Taung Gold shall be higher than that as stated in the Annual Report. As there were no material liabilities owed by the Company (save for the gross obligations under the SA Put Options and the TG Optionholder Put Options in a total of approximately HK\$256.8 million), we chose to compare the value of the 16.70% exploration assets as at 31 March 2014 as stated in the Annual Report with the consideration to be paid by the Company. Based on the above basis, we note that the value of the 16.70% of the exploration assets as at 31 March 2014 was approximately HK\$655.5 million and therefore the consideration for acquiring the 16.70% interest in Taung Gold represented a discount of approximately 21.3% to its value as at 31 March 2014 as stated in the Annual Report. Based on this result, we consider the consideration for acquiring 16.70% in Taung Gold is fair and reasonable.

Exercise period of the New TG Optionholder Put Options

Based on the Circular, we note that four batches of TG Options in an aggregate number of 23,645,210 TG Options were issued to the TG Optionholders on 25 May 2010, 26 July 2010, 1 September 2010 and 1 November 2010, respectively, and we are advised by the Company that the earliest expiry date of the TG Options will be on 1 June 2015. However, the exercise period of the New TG Optionholder Put Options covers up to 7 September 2016 and is at least 1 year longer than the earliest expiry date of the TG Options.

In the event that the TG Optionholders exercise their TG Options and acquire the TG Shares before the respective expiry dates of the exercise period of the TG options, they can still exercise the New TG Put Options on or before 7 September 2016, which is the extension period for the compensation of the Incident. Given it has offered an opportunity

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for the Company to further consolidate the control of Taung Gold, we consider the exercise period of the New TG Put Options of approximately 2 years is fair and reasonable.

General terms to the New SA Put Option Agreements and the New TG Optionholder Agreements

The terms of the New SA Put Option Agreements and the New TG Optionholder Agreements have been set out in the 2014 Circular. We have reviewed the terms of the above agreements, which include (i) the nominal value of the consideration for the option (i.e. ZAR\$1 (approximately HK\$0.73)); (ii) the non-transferability of the options (which is the normal clause to protect the interest of the Company); and (iii) the first right of refusal of the Company for the sale of TG Shares by the South African Shareholders and the TG Options Holders (which is to protect the Company's interest for further acquiring the interest of Taung Gold under the options) and considered that they are normal commercial terms.

Offer Price

Regarding the conditions for the exercise of the Call Options, we note that the exercise of the Call Options shall be conditional upon, amongst others, a Change of Control having occurred and duly completed in accordance with the terms and conditions thereunder and such Offer Price being not less than HK\$0.20 per Share. We are advised by the Directors that setting such conditions to the Call Options was to provide a comfort to the TG Optionholders and the South African Shareholders that the Company will not be able to exercise the Call Options unless the above conditions are fulfilled whilst the Company can, through exercising the Call Option, obtain a dominant position in acquiring further interest in Taung Gold. The Company considers that the Call Options, which represents the Company's right to call for increasing its interest in Taung Gold, will enhance the Company's ability to attract any potential strategic investor in the future.

We consider that the Offer Price set out in the conditions of the Call Option is a benchmark price only and cannot serve as a meaningful reference. As the Issue Price of the New Put Option Consideration Shares and Possible Exercise Consideration Shares are the same, the aggregate number of Shares to be issued under the New SA Put Option Agreements and the New TG Optionholder Agreements will not be different as result of the Offer Price. The Offer Price will have no direct or indirect impact to the Company or any potential dilution effect to the Shareholders.

The Offer Price for the Call Options only serves as benchmark in two ways. Firstly, it is one of the conditions of the Call Options. Second, it only affects the TG Optionholder and the South African Shareholders as the Company shall procure the person or persons acquiring control to purchase from GoldCom at the Offer Price a number of the GoldCom Consideration Shares and the Possible Exercise Consideration Shares. However, as discussed in our previous paragraph, the Offer Price will have no direct or indirect impact to the Company or the Shareholders.

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Payment method in acquiring interests in Taung Gold when the put options or the Call Options are exercised

Upon the exercise of the New TG Optionholder Put Options or the Call Options, the maximum number of the Shares to be allotted or issued, which are the total Consideration Shares, will be 1,262,020,649 new Shares. When determining the settlement method in acquiring further interests in Taung Gold, the Company has considered applying its internal financial resources, the debt financing method and other equity financing method. We are advised that the issue of consideration shares was chosen as the settlement method after consideration of the below factors:

- (1) As stated in the Annual Report, the cash balance of the Group was approximately HK\$129.9 million, which is not sufficient to achieve the purpose. Besides, it is the Board's strategy to keep sufficient cash level in preparation for the future construction stage of the Evander and Jeannette Projects;
- (2) Given the continuous volatility in global markets over the past few years and the fact that the Group is mainly engaged in exploration business now, the Company has faced difficulty to borrow from commercial banks in Hong Kong at an acceptable cost level; and
- (3) Other equity funding methods as stated above would incur underwriting commission or interest which would increase the financial costs to the Group.

Based on the above, we consider the issue of the new Shares as the settlement method in acquiring further interest in Taung Gold is fair and reasonable.

Issue Price

The GoldCom Consideration Shares were issued at the Issue Price of HK\$0.41 per Share in accordance with the terms of the Acquisition. The New Put Option Consideration Shares and the Possible Exercise Consideration Shares will be issued at the Issue Price of HK\$0.41 per Share, credited as fully paid and when allotted and issued, they will rank pari passu in all respects with the Shares then in issue and be entitled to all dividends, distributions and other rights carried by the Shares. The New Put Option Consideration Shares and the Possible Exercise Consideration Shares will be issued pursuant to the Specific Mandate.

For the settlement of the consideration for the Acquisition, it was agreed by the Company that the Issue Price was adopted as the reference price of the Share in determine the number of Shares to be issued and the Share Exchange Ratio between the TG Shares and the Shares. Based on the Share Exchange Ratio and the Issue Price, an aggregate of up to 2,392,161,765 Shares (including the GoldCom Consideration Share of up to 1,130,141,116 Shares and the Possible Exercise Consideration Shares of up to 1,262,020,649) would be used to exchange up to 44,819,526 TG Shares (including

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23,645,210 TG Optionholder TG Shares and 21,174,316 SA TG Shares). Such number of 2,392,161,765 Shares was used in calculating the consideration for acquiring 16.70% of Taung Gold as set out in our previous paragraph.

The Issue Price of HK\$0.41 per New Put Option Consideration Share was a reference price in determining the number of the Shares which is exchangeable to the TG Shares which represents:

- (i) a premium of approximately 81.42% over the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 80.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day of approximately HK\$0.227 per Share;
- (iii) a premium of approximately 83.04% over the average of the closing prices of the Shares as quoted on the Stock Exchange over the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.224 per Share; and
- (iv) a premium of approximately 17.14% to the audited net asset value of approximately HK\$0.35 per Share as at 31 March 2014 (based on the audited consolidated net assets of the Group of approximately HK\$4,265,712,000 as at 31 March 2014 as shown in the Company's Annual Report and 12,442,915,688 Shares in issue as at the Latest Practicable Date).

Based on the terms of the New SA Put Options Agreements and the New TG Optionholder Agreement, we consider that the terms of the New SA Put Option Agreements and the New TG Optionholder Agreements are fair and reasonable so far as the Shareholders are concerned.

First Refusal Right

If, during the term of the New TG Optionholder Agreement, a TG Optionholder wishes to sell all or part of his/her TG Shares acquired by exercising his/her TG Options to a third party, he/she shall first be required to offer such shares to the Company by way of written notification. The TG Optionholder must set out the details of the offer in the notification to the Company and the terms of such offer may or may not be the same as the terms of the New TG Optionholder Put Options.

If the Company wishes to accept the offer, the number of TG First Refusal Right Consideration Shares to be issued to GoldCom for cash proceeds to the selling TG Optionholder (in case of an “**on-market sale**”) or to be issued directly to the selling TG Optionholder (in the case of a share exchange) shall equal to the number of TG Shares being sold multiplied by the Share Exchange Ratio as adjusted by multiplying the factor (the “**Factor**”) that is equivalent to the price (“**New Price**”) per TG Share offered by the third party purchaser divided by ZAR22.44 (which is the price payable per TG Share under the Acquisition) (“**Original Price**”). The Original Price represents the value in ZAR offered by the Company for each TG Share under the New Put Options. The

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Original Price is calculated by multiplying the Issue Price and the Share Exchange Ratio and converting the product from HK\$ into ZAR based on the exchange rate adopted under the TG Optionholder Agreements. However, the Company undertakes that for the purpose of the SGM, it shall not exercise the TG First Refusal Right if as a result of such exercise, the Share Exchange Ratio as adjusted by the Factor above would exceed the Maximum Share Exchange Ratio. If the Company elects to exercise the TG First Refusal Right that would exceed the above restriction, it shall re-comply with the applicable requirements under the Listing Rules before such exercise becomes effective. If the New TG Optionholder Put Options are not exercised at all but the TG First Refusal Right are exercised in full at the Maximum Share Exchange Ratio, the Company will have to issue the TG First Refusal Right Consideration Shares (which is more than the New Put Option Consideration Shares by 256,238,148 new Shares) as consideration for such exercise.

Subject to the above restriction, the TG First Refusal Right allows the Company, at its sole discretion, to match offers made by third party purchasers by adjusting the number of TG First Refusal Right Consideration Shares to be issued for each TG Share in proportion to the New Price by reference to the Original Price. The Company considers that the adjustment mechanism of the TG First Refusal Right is fair and reasonable in that it will result in the issuance of an adjusted number of TG First Refusal Right Consideration Shares that is fair and equitable to both the Company and the TG Optionholders and enables the New Price to be matched by the Company.

Also, if any South African Shareholder wishes to sell all or part of the TG Shares held by it to a third party during the term of the New SA Put Option Agreement, he/she shall first be required to offer such TG Shares to the Company through GoldCom and the Company shall, through GoldCom, indicate its acceptance of the offer of such TG Shares within ten (10) Business Days from the date of receipt of the offer. The South African Shareholder must set out the details of the offer in the notification to the Company and the terms of such offer may or may not be the same as the terms of the New SA Put Options.

If the Company wishes to accept the offer, the number of SA First Refusal Right Consideration Shares to be sold by GoldCom for cash proceeds to the selling South African Shareholder shall equal to the number of TG Shares being sold multiplied by the Share Exchange Ratio as adjusted by multiplying the factor (the “**Factor**”) that is equivalent to the price (“**New Price**”) per TG Share offered by the third party purchaser divided by ZAR22.44 (which is the price payable per TG Share under the Acquisition) (“**Original Price**”). The Original Price represents the value in ZAR offered by the Company for each TG Share under the New SA Put Options. The Original Price is calculated by multiplying the Issue Price and the Share Exchange Ratio and converting the product from HK\$ into ZAR based on the exchange rate adopted under the SA Put Option Agreements. However, the Company undertakes that for the purpose of the SGM, it shall not exercise the SA First Refusal Right if as a result of such exercise, the Share Exchange Ratio as adjusted by the Factor above would exceed the Maximum Share Exchange Ratio. If the Company elects to exercise the SA First Refusal Right that would exceed the above restriction, it shall re-comply with the applicable requirements under the Listing Rules before such exercise becomes effective. If the New SA Put Options are not

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exercised at all but the SA First Refusal Right are exercised in full at the Maximum Share Exchange Ratio, in addition to the GoldCom Consideration Shares already issued to GoldCom, the Company will have to issue an additional 229,461,591 new Shares for GoldCom to sell for cash proceeds as consideration for such exercise.

Subject to the above restriction, the SA First Refusal Right allows the Company, at its sole discretion, to match offers made by third party purchasers by adjusting the number of SA First Refusal Right Consideration Shares to be sold by GoldCom for each TG Share in proportion to the New Price by reference to the Original Price. The Company considers that the adjustment mechanism of the SA First Refusal Right is fair and reasonable in that it will result in the sale of an adjusted number of SA First Refusal Right Consideration Shares that is fair and equitable to both the Company and the South African Shareholders and enables the New Price to be matched by the Company.

Based on (i) the First Refusal Right gives the Company the flexibility to acquire the shares of Taung Gold and keeps the total shareholding interest in Taung Gold held by the Company; (ii) the extra number of Shares to be issued represents approximately 4% of the total issued Shares as at the Latest Practicable Date; and (iii) the total issue price of the Shares, which will be approximately HK\$650.4 million, represented a discount of approximately 1% to the value of Taung Gold as at 31 March 2014 as stated in the Annual Report, we consider that the First Refusal Right is fair and reasonable.

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5. Effect of the Issue of the Total Consideration Shares on the Shareholding Structure of the Company

Set out below are the shareholding structures of the Company (i) as at the date of this circular; (ii) immediately upon exercise of the New TG Optionholder Put Options and upon exercise of the New SA Put Option and (iii) immediately after the allotment and issue of the Total Consideration Shares (assuming that (a) there is no change in the issued share capital of the Company other than the issue of the Total Consideration Shares; and (b) the TG Optionholders have exercised the New TG Optionholder Put Options in full or the Company has exercised the TG Call Options in full).

	As at the date of this circular		Upon full exercise of				Upon full issue of the Total Consideration Shares	
	Number of Shares	Approximate %	The New TG Optionholder Put Options	Approximate %	New SA Put Options	Approximate %	Number of Shares	Approximate %
Other TG Optionholders (excluding the TG Connected Persons) ⁺	—	—	842,442,674	6.15	—	—	842,442,674	6.15
Other South African Shareholders (excluding the SA Connected Persons) ⁺	—	—	—	—	658,186,093	5.29	658,186,093	4.80
<i>Connected persons</i>								
Mr. Christiaan Rudolph de Wet de Bruin [*]	—	—	90,799,031	0.66	403,664,259	3.24	494,443,290	3.61
Mr. Neil Andrew Herrick [*]	—	—	107,547,009	0.78	240,179	0.00	107,787,188	0.79
Mr. Igor Levental [○]	—	—	40,830,502	0.3	—	—	40,830,502	0.30
Mr. Walter Thomas Segsworth	1,000,000	0.01	1,000,000	0.01	1,000,000	0.01	1,000,000	0.01
Mr. Stefanus David Steyn [*]	—	—	78,618,732	0.57	13,396,674	0.11	92,015,406	0.67
Dr. David Twist [○]	341,902,722	2.75	406,110,688	2.96	341,902,722	2.75	406,110,688	2.96
Dr. Lelau Mohuba and his associates [*]	—	—	20,175,071	0.15	13,785,605	0.11	33,960,676	0.25
Mr. Neil Robus Crafford-Lazarus [#]	—	—	—	—	2,668,660	0.02	2,668,660	0.02
Mrs. Sonja Hester Rosser [*]	—	—	17,399,664	0.13	38,219,645	0.31	55,619,310	0.41
Electrum Strategic Exploration Limited	2,295,047,831	18.44	2,295,047,831	16.75	2,295,047,831	18.44	2,295,047,831	16.75
GoldCom	1,130,141,116	9.08	1,130,141,116	8.25	—	—	—	0
Mandra Esop Limited ^{**}	28,218,369	0.23	28,218,369	0.21	28,218,369	0.23	28,218,369	0.21
Mandra Materials Limited ^{**}	1,608,854,156	12.93	1,608,854,156	11.74	1,608,854,156	12.93	1,608,854,156	11.74
Woo Foong Hong Limited ^{**}	426,530,727	3.43	426,530,727	3.11	426,530,727	3.43	426,530,727	3.11
Public Shareholders (excluding the Other TG Optionholders and the Other South African Shareholders)	6,611,220,767	53.13	6,611,220,767	48.24	6,611,220,767	53.13	6,611,220,767	48.24
Total	12,442,915,688	100	13,704,936,337	100	12,442,915,688	100	13,704,936,337	100

Notes:

- [○] Connected Persons who are entitled to exercise the New TG Optionholder Put Options (the “TG Connected Person”)

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- # Connected Persons who are entitled to exercise the New SA Put Options (the “SA Connected Person”)
- * Connected Persons who are both the TG Connected Person and the SA Connected Person
- ※ Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the Shares held by Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited for the purpose of SFO.
- + The Other TG Optionholders and the Other South African Shareholders are public shareholders.

As illustrated in the above shareholding table, as a result of the Transactions, the shareholding of the existing public Shareholders may decrease from 53.13% to 48.24%. Taking into account of the reasons for the Transactions as discussed in our paragraph headed “Reasons for the Transactions” in this letter, we consider the dilution to be acceptable.

RECOMMENDATION

Having considered the above principal factors, in particular, (i) background information of the Group; (ii) update on the status of the gold mine projects; (iii) reasons for the Transactions; (iv) the major terms of the New SA Put Option Agreements and the New TG Optionholder Agreements; and (v) the dilution effect on existing Shareholders, we are of the opinion that the Transactions which are not in the ordinary course of business of the Company are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and we would advise (a) the Independent Board Committee to recommend to the Independent Shareholders; and (b) the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM in relation to the Transactions.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

1. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(a) Interest of Directors and Chief executives of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or Chief Executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or are required to be entered in the register maintained in accordance with Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Name of Directors	Number of Ordinary Shares			Total	Percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Equity derivatives		
Li Hok Yin	17,380,622	—	—	17,380,622	0.14%
Christiaan Rudolph de Wet de Bruin	—	—	—	—	0.00%
Neil Andrew Herrick	—	—	—	—	0.00%
Cheung Pak Sum	—	—	—	—	0.00%
Igor Levental	—	—	—	—	0.00%
Chui Man Lung, Everett	—	—	—	—	0.00%
Li Kam Chung	—	—	—	—	0.00%
Walter Thomas Segsworth	1,000,000	—	—	—	0.01%

(b) Interest of substantial Shareholders and other persons

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors or Chief Executives of the Company) who had any interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, the following Shareholders are interested in more than 5 per cent of the Shares in issue:

Name	Number of Shares	Percentage Holding
Able Union Limited	728,334,875	5.85%
Electrum Strategic Exploration Limited (<i>note 1</i>)	2,295,047,831	18.44%
Gold Commercial Services Limited (<i>note 2</i>)	1,130,141,116	9.08%
Mandra Esop Limited (<i>note 3</i>)	28,218,369	0.23%
Mandra Materials Limited (<i>note 3</i>)	1,608,854,156	12.93%
Woo Foong Hong Limited (<i>note 3</i>)	426,530,727	3.43%

Notes:

- (1) Electrum Strategic Exploration Limited is principally owned and controlled by GRAT Holdings LLC. Hence, GRAT Holdings LLC is deemed to be interested in the Shares held by Electrum Strategic Exploration Limited for the purpose of SFO.
- (2) On 8 September 2011, the Company issued 1,130,141,116 new shares of the Company to Gold Commercial Services Limited (“GoldCom”) for granting the put options to South African resident shareholders of TGL in relation to the sale to the Company through GoldCom of 21,174,316 shares of TGL.
- (3) Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the Shares held by Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited for the purpose of SFO.

No interest, direct or indirect, if any, of every director in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, i.e. 31 March 2014, acquired or disposed of by or leased to the Company or Subsidiary or are proposed to be acquired or disposed of by or leased to the Company or Subsidiary.

2. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

3. THE INDEPENDENT FINANCIAL ADVISER AND CONSENTS

The following are the qualifications of the Independent Financial Adviser whose advices and/or letters and/or reports are contained in this circular:

Name	Qualification
Nuada Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with inclusion of its advice and/or letter and/or report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interests in any assets which have been, since 31 March 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Company, or are proposed to be acquired or disposed of by or leased to any member of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Group have been made up.

5. INTEREST IN ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, direct or indirect, in any assets which had been since 31 March 2014, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business, Unit 1901, 19th Floor, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong during normal business hours (public holidays excepted) from the date of this circular up to and including the date of the SGM:

- (a) the New SA Put Option Agreements;
- (b) the New TG Optionholder Agreements;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 47 to 48 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 49 to 65 of this circular; and
- (e) this circular.

9. GENERAL

- (a) The company secretary of the Company is Mr. Tung Yee Shing, being an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, at 22 Level, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

NOTICE OF SPECIAL GENERAL MEETING

TAUNG GOLD | TAUNG GOLD INTERNATIONAL LIMITED

壇金礦業有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Special General Meeting**”) of Taung Gold International Limited (the “**Company**”) will be held at Unit 1901, 19/F., Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong on 21 November 2014, Friday at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions. Unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 4 November 2014 (the “**Circular**”):

1. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the New TG Optionholder Agreements entered into between the Company, GoldCom, Taung Gold and TG Optionholders (other than the Connected TG Optionholders), relating to, among other things, (i) the grant of right to sell a maximum number of 23,645,210 TG Shares (representing the 100% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company or GoldCom for a maximum of 1,262,020,649 New Put Option Consideration Shares at the Issue Price or cash; (ii) the possible exercise of the TG First Refusal Right by the Company; and (iii) the possible exercise of the TG Call Options by the Company, and all the transactions contemplated thereunder, be and are hereby approved;
- (b) subject to completion of the New TG Optionholder Agreements referred to in paragraph 1(a) above, to the fulfilment of the conditions relating to the allotment of the New Put Option Consideration Shares, the TG First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares (in each case, other than those to be issued under the Connected Transactions) and to the Directors approving their issue and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Put Option Consideration Shares, the TG First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares (in each case, other than those to be issued under the Connected Transactions), the Directors be and are hereby specifically authorised to allot and issue the New Put Option Consideration Shares, the TG First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares (in each case, other than

* For identification purposes only

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those to be issued under the Connected Transactions), credited as fully paid, in accordance with the terms and conditions of the New TG Optionholder Agreements referred to in paragraph 1(a) above; and

- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the New TG Optionholder Agreements (other than those entered into with the Connected TG Optionholders) and the transactions contemplated thereunder and to agree to such variations of the terms of the New TG Optionholder Agreements (other than those entered into with the Connected TG Optionholders) and the transactions documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.”
2. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the New TG Optionholder Agreements entered into between the Company, GoldCom, Taung Gold and the Connected TG Optionholders, relating to, among other things, (i) the grant of right to sell a maximum number of 23,645,210 TG Shares (representing 100% of the TG Shares that may be acquired by the TG Optionholders upon full exercise of the TG Options) to the Company or GoldCom for a maximum of 1,262,020,649 New Put Option Consideration Shares at the Issue Price or cash; (ii) the possible exercise of TG First Refusal Right by the Company; and (iii) the possible exercise of the TG Call Options by the Company, and the transactions contemplated thereunder be and is hereby approved;
- (b) subject to completion of the New TG Optionholder Agreements referred to in paragraph 2(a) above, to the fulfilment of the conditions relating to the allotment of the New Put Option Consideration Shares, the TG First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares to be issued under the Connected Transactions and to the Directors approving their issue and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Put Option Consideration Shares, the TG First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares to be issued under the Connected Transactions, the Directors be and are hereby specifically authorised to allot and issue the New Put Option Consideration Shares, the TG First Refusal Right Consideration Shares and the Possible Exercise Consideration Shares to be issued under the Connected Transactions, credited as fully paid, in accordance with the terms and conditions of the New TG Optionholder Agreements referred to in paragraph 2(a) above; and

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- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the New TG Optionholder Agreements (those entered into with the Connected TG Optionholders) and the transactions contemplated thereunder (including the possible exercise of the TG First Refusal Right and the TG Call Options by the Company) and to agree to such variations of the terms of the New TG Optionholder Agreements (those entered into with the Connected TG Optionholders) and the transactions documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.”
3. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the New SA Put Option Agreements entered into between the Company, Taung Gold, GoldCom and the South African Shareholders (other than the Connected South African Shareholders) relating to, among other things, (i) the grant of the New SA Put Options; (ii) the possible exercise of the SA First Refusal Right by the Company; and (iii) the possible exercise of the SA Call Options by the Company and the transactions contemplated thereunder, be and are hereby approved;
- (b) subject to completion of the New SA Put Option Agreements referred to in paragraph 3(a) above, to the fulfilment of the conditions relating to the allotment of the Additional SA First Refusal Right Consideration Shares (other than those to be issued under the Connected Transactions) and to the Directors approving their issue and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Additional SA First Refusal Right Consideration Shares (other than those to be issued under the Connected Transactions), the Directors be and are hereby specifically authorised to allot and issue the Additional SA First Refusal Right Consideration Shares (other than those to be issued under the Connected Transactions), credited as fully paid, in accordance with the terms and conditions of the New SA put Option Agreements referred to in paragraph 3(a) above; and

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- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the New SA Put Option Agreements (other than those entered into with the Connected South African Shareholders), and the transactions contemplated thereunder (including the possible exercise of the SA First Refusal Right and the SA Call Options by the Company) and to agree to such variations of the terms of the New SA Put Option Agreements (other than those entered into with the Connected South African Shareholders), and the transactions documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.”
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the New SA Put Option Agreements entered into between the Company, Taung Gold, GoldCom and the Connected South African Shareholders relating to, among other things, (i) the grant of the New SA Put Options; (ii) the possible exercise of the SA First Refusal Right by the Company; and (iii) the possible exercise of the SA Call Options by the Company, and the transactions contemplated thereunder be and are hereby approved;
- (b) subject to completion of the New SA Put Option Agreements referred to in paragraph 4(a) above, to the fulfilment of the conditions relating to the allotment of the Additional SA First Refusal Right Consideration Shares to be issued under the Connected Transactions and to the Directors approving their issue and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the Additional SA First Refusal Right Consideration Shares to be issued under the Connected Transactions, the Directors be and are hereby specifically authorised to allot and issue the Additional SA First Refusal Right Consideration Shares to be issued under the Connected Transactions, credited as fully paid, in accordance with the terms and conditions of the New SA Put Option Agreements referred to in paragraph 4(a) above; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the New SA Put Option Agreements (those entered into with the Connected South African Shareholders), and the transactions contemplated thereunder (including the possible exercise of the SA First Refusal Right and the SA Call Options by the Company) and to agree to such variations of the terms of the New SA Put Option Agreements (those entered into with the

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Connected South African Shareholders), and the transactions documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.”

By order of the Board
Taung Gold International Limited
Li Hok Yin
Co-chairman

Hong Kong, 4 November 2014

Notes:

- (a) A shareholder of the Company, who is the holder of two or more shares of the Company, entitled to attend and vote at the Special General Meeting is entitled to appoint more than one proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (b) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 22 Level, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.