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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)

**RESULTS OF INTERNAL CONTROL REVIEW
UPDATE ON PROGRESS OF
THE OUTSTANDING RESULTS ANNOUNCEMENTS
AND
CONTINUED SUSPENSION OF TRADING OF THE SHARES**

RESULTS OF INTERNAL CONTROL REVIEW

References are made to the Announcements in relation to, amongst other things, the conditions for resumption of trading of the Company's shares imposed by the Stock Exchange and the Company's progress on fulfilling these conditions. As stated in the Company's announcement dated 4 September 2013, the resumption conditions are (a) to publish all outstanding financial results and report, and address any concerns raised by the Company's auditors through qualifications in their audit report; and (b) to demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules.

For the purpose of fulfilling the Internal Control Condition, the Company has engaged the Consultant to conduct a review on the financial reporting procedures and internal control systems of the Group as required by the Stock Exchange. The written report of the results of the Internal Control Review and relevant remediation actions taken has been issued by the Consultant and submitted to the Stock Exchange on 30 January 2014.

UPDATE ON PROGRESS OF THE OUTSTANDING RESULTS ANNOUNCEMENTS

As disclosed in the Company's announcement dated 30 December 2013, the Company then expected that the publication of the Outstanding Results Announcements will take place by the end of January 2014, barring any unforeseen circumstances. The Company wishes to inform the Shareholders and potential investors that the publication of the Outstanding Results Announcements is expected to be further delayed to 28 February 2014, since the Company has taken considerable amount of time to assess the valuation of the Evander Project and the Jeanette Project, which are the Group's primary projects. Currently, the Company's auditors are performing audit work on those draft valuation report provided by the Company.

* For identification purpose only

BACKGROUND

References are made to the Company's announcements dated 4 September 2013, 31 October 2013, 20 November 2013 and 31 December 2013 (the "**Announcements**") in relation to, amongst other things, the conditions for resumption of trading of the Company's shares imposed by the Stock Exchange and the Company's progress on fulfilling these conditions. As stated in the Company's announcement dated 4 September 2013, the resumption conditions are (a) to publish all outstanding financial results and report, and address any concerns raised by the Company's auditors through qualifications in their audit report (the "**Results Condition**"); and (b) to demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules (the "**Internal Control Condition**", together with the Results Condition, the "**Resumption Conditions**"). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those used in the Announcements. This announcement is made by the Company to update the Shareholders and potential investors of the results of the Internal Control Review (as defined below) of the Group and the status of the Outstanding Results Announcements.

1. RESULTS OF INTERNAL CONTROL REVIEW

Objective and scope of the Internal Control Review

For the purpose of fulfilling the Internal Control Condition, the Company has engaged Crowe Horwath (HK) CPA Limited as the independent internal control consultant (the "**Consultant**") of the Group to conduct a review on the financial reporting procedures and internal control systems of the Group (the "**Internal Control Review**") as required by the Stock Exchange. The written report of the results of the Internal Control Review (the "**IC Report**") and relevant remediation actions taken has been issued by the Consultant and submitted to the Stock Exchange on 30 January 2014.

Findings and remedial actions being taken by the Group

The Directors have summarised in the following tables (i) material findings and deficiencies found in the Internal Control Review; and (ii) status of remediation adopted by the Group as assessed by the Consultant in the follow-up review conducted by the Consultant.

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
1. Internal communications	Inadequate communication between the Company and the South African operation.	<p>(a) Relevant internal communication policy has been established and approved by the Board.</p> <p>(b) Internal communication of the Group has been enhanced by holding quarterly meeting and irregular meetings between the Hong Kong and South African based Executive Directors and senior management for discussion and reporting and circulating all internal correspondences and documentations to all Executive Directors of the Company.</p>
2. Compliance with Listing Rules	Incomprehensive policies and procedures governing the reporting of notifiable transactions and connected transactions of directors and senior executives.	<p>(a) The Company's guideline on connected transactions and notifiable transactions has been enhanced and approved by the Board.</p> <p>(b) Trainings in relation to the reporting of notifiable transactions and connected transactions were carried out for Executive Directors and senior management of the Company.</p> <p>(c) Assistant company secretary of the Company has been assigned to perform the regular review and update of the connected parties list since 30 September 2013.</p>

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
		(d) Directors have provided and will be required to provide annual written declarations regarding their respective connected parties and connected transactions since 30 September 2013.
	Incomprehensive corporate governance policies and procedures in relation to Appendix 14 of the Listing Rules.	The Company's terms of reference of corporate governance function have been enhanced and approved by the Board.
	No formal policy to monitor the compliance with requirements set out in Chapter 18 of the Listing Rules for mineral companies.	The Company's guideline for Chapter 18 has been established and approved by the Board.
3. Internal guidelines and policies	Incomprehensive code of conduct covering the handling of confidential and proprietary information and ethical or conflict of interests issues.	<p>(a) Code of Conduct including a comprehensive set of ethical guideline has been revised and approved by the Board.</p> <p>(b) All Directors and senior management of the Company have signed confirmation of undertaking of the Code of Conduct and have consented to comply with their provisions.</p>
4. Internal control regarding significant transactions/ acquisitions	No formal mechanism to monitor and manage the process during the post-acquisition integration following any acquisition done by the Group.	<p>(a) The Company's "Post-acquisition Guideline" has been established and approved by the Board.</p> <p>(b) No sample for the post-acquisition integration plan is available as no acquisition has been carried out by the Group during the Internal Control Review.</p>

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
	<p>The Company does not have formal procedures on requirement to obtain approvals from the Board for significant business transactions.</p>	<p>(a) Policies and procedures on a list of matters that require prior approval from the Board and the internal communication within the Group has been established and approved by the Board.</p> <p>(b) Certain Executive Directors of the Company have been appointed as the Executive Directors of the South African subsidiary and vice versa.</p> <p>(c) Quarterly meeting and irregular meetings are required to be held between the representatives of the Company’s subsidiaries and the Company for discussion and reporting since 26 July 2013.</p>
	<p>Incomprehensive policies and procedures for authorization on key business decisions.</p>	<p>(a) The Company’s “Role and Responsibilities of Directors & Authorization Policy” has been enhanced and approved by the Board.</p> <p>(b) The Board’s authority is allowed to be delegated only to personnel authorised by the Board at the relevant meeting of the Board of Directors.</p> <p>(c) The authority and scope of power of the South African subsidiaries of the Group has been established and approved by its board.</p>

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
5. Risk management	Incomprehensive policies and procedures on risk assessments within the Group.	<p>(a) Policies and procedures on risk assessment and reporting of the Group have been enhanced and approved by the Board.</p> <p>(b) Risk assessment was carried out and a risk control register which documented the risks identified by the Company and the corresponding action plans was established and approved by the Board on 17 January 2014.</p>
	Incomprehensive whistle blowing policy.	<p>(a) The Group’s “Whistle Blowing Policy” has been enhanced and approved by the Board.</p> <p>(b) The Group’s staff have signed confirmations of undertaking of the Whistle Blowing Policy.</p> <p>(c) No sample of investigation report is available as there were no reported cases during the Internal Control Review.</p>
6. Internal audit	Incomprehensive financial reporting and disclosure policies and procedures.	The Group’s “Financial Reporting and Disclosure Policies and Procedures” have been enhanced and approved by the Board.

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
	Lack of independence on the mechanism for monitoring systems of internal controls and no formal policy/guidelines to monitor the review of internal control system.	<p>(a) The Group’s Internal Audit Policies including internal audit charter have been established and approved by the Board.</p> <p>(b) The Board has assigned staff who are independent from operations and management control to carry out the internal audit function. The staff was under the supervision of a qualified and competent personnel and directly report to the Audit Committee of the Company.</p> <p>(c) Internal audit plan was established and approved by the Audit Committee and the Board on 8 January 2014 and 17 January 2014, respectively. The internal audit work will be carried out according to the approved internal audit plan and a internal audit report will be prepared which will be reviewed and approved by the Audit Committee and the Board.</p>
7. Intangible asset management	Incomprehensive intangible assets (Mining Rights) policies and procedures governing the acquisitions and dispositions of intangible assets and their management (such as policies relating to the capitalisation, amortisation, periodic valuation and assessment of impairment of the intangible assets, registration and renewal of mining right and prospecting right).	The Group’s “Intangible Assets Management Policies and Procedures” has been enhanced and approved by the Board.

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
8. Project management	Incomprehensive project management policies and procedures relating to areas such as risk assessment, project monitoring, valuation, capitalisation of project expenditures and periodic performance review for mining projects and the review and approval procedures regarding the closure, abandonment and change of projects.	The Group's Project Management Policy has been enhanced and approved by the Board.
9. Document management	Incomprehensive policies and control procedures in respect of execution of significant contracts and document management.	<p>(a) The Company's Contract Management Policy has been enhanced and approved by the Board.</p> <p>(b) The Company has maintained a register for all significant agreements entered into by the Company, which has to be reviewed by the Company's assistant company secretary and approved by the Company's Executive Directors based in Hong Kong. Since 4 October 2013, all records of review of significant agreements of the Company or advice given by legal professionals are required to be properly documented.</p> <p>(c) A "Contract Tracking List" with pre-assigned sequential contract index has been established is required to be periodically reviewed by the Executive Legal of the South African subsidiaries.</p>

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
10. External communication mechanism	Incomprehensive external communication policies and procedures.	The Group's Continuous Disclosure Policy has been established and approved by the Board.
11. Investment evaluation mechanism	Incomprehensive investment management policies and procedures.	The Group's Investment Policy has been enhanced and approved by the Board.

The IC Report and the confirmation from the Consultant that the Company has adequate financial reporting system and internal control procedures have been submitted to the Stock Exchange, the conclusions of which are set out below:

- (a) Based on the review results of the walkthrough and the compliance tests conducted on all key internal control samples of the Group during the period between 1 January and 30 June 2013, the Consultant noted that there were major internal control deficiencies (as summarised in the table above in this section) during its course of review in the selected entities of the Group. The Consultant provided the Company with recommendations for the remedial actions with respect to the internal control deficiencies and the Company has implemented those recommendations accordingly;
- (b) The Consultant further carried out follow up review during the period between 4 October 2013 and 23 January 2014 after the remedial actions had been taken by the Company in connection with the deficiencies mentioned in the IC Report. The Consultant noted that the Company has taken all necessary procedures to address the internal control deficiencies and has achieved satisfactory results on the compliance tests on the enhanced internal controls systems.
- (c) The Consultant were unable to perform compliance testing on a few of the enhanced internal controls due to the events subject to such enhanced controls have not occurred as of the date of the IC Report. However, it is sufficient for the Consultant to confirm that, based on the information above, the Company has adequate financial reporting system and internal control procedures;
- (d) Following the Consultant's recommendations of the remedial actions offered to the Company which the Consultant regarded as self sufficient, the management and staff of the Company have been advised by the Consultant on how to implement the remedial actions and the Board has confirmed to the Consultant that the Company would continue to comply with the established procedures as stipulated in the written formal policies and procedures of the Group in the future; and
- (e) The Directors have attended and completed the relevant Directors' training conducted by Hong Kong-qualified solicitors in which the training content consisted of directors' general obligations under the Listing Rules, the Hong Kong Code on Takeovers and Mergers, the Securities and Futures Ordinance and the Companies Ordinance.

In light of the above, the Directors are also of the view that the Group has established adequate internal control policies and procedures in all material respects, and the Group currently maintains an adequate and effective internal control system to meet its obligations under the Listing Rules.

2. UPDATE ON PROGRESS OF THE OUTSTANDING RESULTS ANNOUNCEMENTS

As disclosed in the Company's announcement dated 31 December 2013, the Company then expected that the publication of the 2012 Results Announcement, the 2012 Interim Results Announcement, the 2013 Results Announcement and the 2013 Interim Results Announcement (the "**Outstanding Results Announcements**") will take place by the end of January 2014, barring any unforeseen circumstances. The Company wishes to inform the Shareholders and potential investors that the publication of the Outstanding Results Announcements is expected to be further delayed to 28 February 2014, since the Company has taken considerable amount of time to assess the valuation of the Evander Project and the Jeanette Project, which are the Group's primary projects. Currently, the Company's auditors are performing audit work on those draft valuation report provided by the Company.

The Company is using its best endeavour to facilitate the completion of the Outstanding Results Announcements.

3. CONTINUED SUSPENSION OF TRADING OF THE SHARES

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 8 June 2012 at the request of the Company. The Company shall make further announcements regarding any material developments and results in respect of the above matters as and when appropriate. The Board will inform the Shareholders and potential investors of the expected date of publication of all the Outstanding Results Announcements. Trading in the Shares will continue to be suspended until further notice.

SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES AND SHARES OF THE COMPANY.

By order of the Board
Taung Gold International Limited
Cheung Pak Sum
Executive Director

Hong Kong, 30 January 2014

As at the date of this announcement, the Board comprises eight Directors. The Executive Directors are Mr. Li Hok Yin, Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick, Ms. Cheung Pak Sum and Mr. Igor Levental. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Walter Thomas Segsworth.