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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)

**ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
AND CONNECTED TRANSACTION**

THE AGREEMENTS

On 5 September 2014, the Company, GoldCom and Taung Gold entered into 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 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 TG Call Options to acquire TG Optionholder TG Shares.

On 5 September 2014, the Company, GoldCom and Tang Gold also entered into New SA Put Option Agreements with 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. Under the New SA Put Option Agreements, the South African Shareholders have also granted the Company SA Call Options to acquire SA TG Shares.

LISTING IMPLICATION

The New TG Optionholder Put Options 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. Further, Possible Exercise constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements thereunder.

* For identification purposes only

Further, if (a) the New TG Optionholder Put Options and the New SA Put Options are exercised in full; or (b) 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 shareholding interest in Taung Gold will increase by approximately 10.04% ("TG Acquisition") and it will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements thereunder. Moreover, Connected TG Optionholders and Connected South African Shareholders are connected persons of the Company under the Listing Rules. Therefore, the grant of the New TG Optionholder Put Options to the Connected TG Optionholders, the issue of the New Put Option Consideration Shares and the Possible Exercise Consideration Shares and the Possible Exercise of the Call Options granted by 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 independent shareholder approval and the reporting and announcement requirements thereunder.

An circular containing, among other things, details of the proposed Transactions, together with a notice of special general meeting and the related proxy form, will be dispatched to the Shareholders as soon as practicable.

BACKGROUND

Reference is made to the Company's Circular 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 entered into the TG Optionholder Agreements with each TG Optionholder. 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. 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 shall expire on 7 September 2014 and none of the TG Optionholder Put Options have been or are expected to be exercised before they expire. 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 TG Call Options to acquire the TG Optionholder TG Shares.

Similarly, the SA Put Options shall expire on 7 September 2014 and none of the SA Put Options have been or are expected to be exercised before they expire. 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) to 7 September 2016. Under the New SA Put Option Agreements, the South African Shareholders have also granted the Company the SA Call Options to acquire the SA TG Shares.

Grant of the New TG Optionholder Put Option and grant of the TG Call Options under the New TG Optionholder Agreements

The New TG Optionholder Agreements

Date: 5 September 2014

Parties: (1) the Company, (2) GoldCom, (3) Taung Gold, and the (4) TG Optionholders

Principle Terms of the New TG Optionholder Agreements

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) to 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.

Share exchange and on-market sale:

Up to 1,262,020,649 Shares will be issued and most of the TG Optionholders who are South African residents will transfer the TG Shares to the Company in consideration for the issue of a corresponding number through GoldCom 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 Optionholder via an escrow agent.

The TG Optionholders who are non South African residents sell the TG Shares 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 TG Optionholders include (i) Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick and Mr. Igor Levental, who are current Directors of the Company; (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>

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 are subject to the fulfilment (or waiver, as applicable) of the following conditions:

- (a) where applicable, the New TG Optionholder 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 New Put Option 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 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 and such approval remaining 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.

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.

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.

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 remaining 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.

Grant of the New SA Put Options and the grant of the SA Call Options under the New SA Put Option Agreements

The New SA Put Option Agreements

Date: 5 September 2014

Parties: (1) the Company, (2) GoldCom, (3) Taung Gold, and the (4) South African Shareholders

Principle Terms of the New SA Put Option Agreements

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: 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:

- 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.

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.

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; (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. 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>

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 Shareholders to the Company in respect of the grant of the SA Put Options was ZAR1.00. The New SA Put Options were proposed for the same purpose as originally envisaged in connection with the Acquisition. Therefore, the consideration for the grant of the New SA Put Options was also determined as being ZAR1.00.

Conditions precedent

The New SA Put Option Agreements 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 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 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
- (d) 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.

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 the person or persons acquiring Control of the Company to purchase from the South African Shareholders through GoldCom at the Offer Price per Share 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.

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.

Basis of determining the 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 Possible Exercise and the basis of Determination of the Consideration

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, 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 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 and per Possible Exercise Consideration Share and the Share Exchange Ratio 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.

As disclosed in the Circular, the Acquisition provided the Company with the opportunity to increase its interest in TGL to up to 86.966% 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. Therefore, the Directors 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 and the number of GoldCom 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 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 includes 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. 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 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.

Information of the Company, Taung Gold and effect of the Company's Shareholding Interest in Taung Gold after the Completion of 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.

As at the First Completion, the Company held approximately a 75.8% shareholding interest in TGL, which comprises approximately 61.5% direct shareholding interest in TGL and approximately 14.3% 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 61.5% to 55.9% and its indirect shareholding interest in TGL was diluted from approximately 14.3% to approximately 13.0%. The Company's total direct and indirect shareholding interest in TGL was accordingly decreased to approximately 68.9%. 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 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 direct shareholding interest in Taung Gold will increase by approximately 10.05% to approximately 65.99%. Taung Gold is engaged in the acquisition, exploration and development of mineral assets in respect of gold (and minerals associated with gold) 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\$8,004,695).

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	
	<i>(ZAR)</i>	<i>(HK\$)</i>	<i>(ZAR)</i>	<i>(HK\$)</i>
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	20,074,222	27,498,797	20,074,222

Reasons and Benefits for the Transactions

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 the 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. 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 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 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.

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 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 direct shareholding interest in Taung Gold will increase by approximately 10.05%. 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.
- 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) a 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 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.

Original acquisition cost of the connected person

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

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

LISTING IMPLICATION

The New TG Optionholder Put Options 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 1,262,020,649 new Shares may be issued following the full exercise of the New TG Optionholder Put Options, 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.

Further, as the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Possible Exercise exceed 5% but are less than 25%, the Possible Exercise constitutes a discloseable 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 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 direct shareholding interest in Taung Gold will increase by approximately 10.05% ("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 discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements thereunder.

Moreover, the Connected TG Optionholders and the Connected South African Shareholders are connected persons of the Company under the Listing Rules. Therefore, the grant of the New TG Optionholder Put Options to the Connected TG Optionholders, the grant of the New SA Put Options to Connected South African Shareholders, the issue of the New Put Option Consideration Shares and the Possible Exercise Consideration Shares and the Possible Exercise of the Call Options granted by 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 independent shareholders' approval and the reporting and announcement requirements thereunder.

GENERAL

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

A circular of the Company containing, among others, information on matters to be dealt with at the Special General Meeting. They are: (a) Grant of New TG Optionholder Put Options under New TG Optionholder Agreement; (b) Grant of New SA Put Options under New SA Put Option Agreements; (c) 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 Transactions and the Specific Mandate; (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 the Specific Mandate and (g) and a notice of the Special General Meeting and a form of proxy, will be despatched to the Shareholders as soon as possible in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions will, unless the context requires otherwise, have the following meanings:

“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
“associate(s)”	has the same meaning as defined in the Listing Rules
“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”	has the same meaning as defined in the Listing Rules
“Connected South African Shareholders”	means (i) Mr. Christiaan Rudolph de Wet de Bruin and Mr. Neil Andrew Herrick, who are current Directors of the Company; (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 the Company; (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, the grant of the New SA Put Options to the Connected South African Shareholders and the Possible Exercise of the Call Options granted by the Connected South African Shareholders and the Connected TG Optionholders
“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
“First Completion”	the first completion of the Acquisition which took place on 8 September 2011

“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”	up to 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
“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 Advisers”	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 (Shareholders other than the Connected TG Optionholders and their respective associates); (ii) in respect of the grant of the New SA Put Options (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)
“Issue Price”	HK\$0.41 per Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Member(s)” or “Shareholder(s)”	the holder(s) of Share(s) of the Company
“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 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 and the grant of the SA Call Options
“New TG Optionholder Agreements”	the agreements dated 5 September 2014 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 and the grant of the TG Call Options
“New TG Optionholder Put Options”	the put options granted to each of the TG Optionholders by the Company or GoldCom to sell 100% of the TG Shares that maybe acquired (upon 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 acquire 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
“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 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
“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
“Share(s)”	the share(s) of HK\$0.01 each in the capital of the Company
“Share Exchange Ratio”	means the ratio of 53.37320537 Shares 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; and (ii) the Possible Exercise Consideration Shares at the special general meeting
“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
“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, the grant of the New SA Put Options and the Possible Exercise of Call Options

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

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, HK\$ amounts have been translated using the rate of ZAR0.73:HK\$1. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

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

Hong Kong, 5 September 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.