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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

**SECOND SUPPLEMENTAL AGREEMENT TO
THE VENDOR FINANCING AGREEMENT**

This announcement is made by the board of Directors (“**Board**”) of Taung Gold International Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Listing Rules, the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 14.36 and Rule 14A.35 of the Listing Rules.

Reference is made to the announcement of the Company dated 24 April 2017 (the “**Announcement**”) in relation to the execution of the Supplemental Agreement to the Vendor Financing Agreement. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Announcement.

BACKGROUND

As disclosed in the Announcement, TGL and SepGold entered into the Supplemental Agreement to the Vendor Financing Agreement on 24 April 2017, and pursuant to the Supplemental Agreement, it was proposed that (1) the Interest accrued on the Loan for the period from 1 April 2016 to 31 March 2017 will be waived; (2) the clauses relating to the payment of Interest in the Vendor Financing Agreement will be deleted; and (3) the repayment date of the loan will be extended to 31 December 2020 (the “**Repayment Date**”).

* *For identification purpose only*

VARIATION TO A MAJOR TERM OF THE VENDOR FINANCING AGREEMENT AND ENTERING OF A SECOND SUPPLEMENTAL AGREEMENT TO THE VENDOR FINANCING AGREEMENT

On 4 May 2018 (after trading hours), TGL and SepGold entered into a second supplemental agreement to the Vendor Financing Agreement (the “**Second Supplemental Agreement**”). The entering into of the Second Supplemental Agreement is a further variation of the Vendor Financing Agreement in which the Repayment Date will be extended to 31 December 2027 (the “**New Repayment Date**”) (the “**Revised Extension**”). The entering into of the Second Supplemental Agreement constitutes a material variation to the terms of the Vendor Financing Agreement and the transactions contemplated under it. The Revised Extension is subject to the passing of resolutions by the Independent Shareholders of the Company approving the execution of the Supplemental Agreement and the Second Supplemental Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules.

Save as amended above, the Vendor Financing Agreement shall remain in full force and effect in all respects.

INFORMATION ON TGL AND SEPGOLD

TGL is a company incorporated under the laws of South Africa and is engaged in the exploration and development of gold assets in South Africa. TGL holds, through its wholly owned subsidiaries, the mining licence to its flagship Evander No.6 Shaft Project and the mining licence to its Jeanette Project.

SepGold is an investment holding company incorporated under the laws of South Africa. As at the date of this announcement, SepGold is a wholly-owned subsidiary of Arctic Sun, a Qualified BEE Company. SepGold is also a substantial shareholder of TGL by holding 24.02% of the issued share capital of TGL.

REASONS AND BENEFITS FOR ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

As disclosed in the Announcement, the proposed Transaction aims at reducing the overall tax liability of the Group and boosting motivation of the HDSAs for their continuing involvement in the development of TGL's gold mining projects in South Africa.

The New Repayment Date aligns with the re-assessment made by the board of Directors in relation to the current estimated timetable for commencement of commercial production of TGL's two gold mining projects upon the granting to TGL (through a wholly owned subsidiary), of the mining right to the Jeanette Project by the South African Department of Mineral Resources on 25 June 2017 and the execution on 9 November 2017 and registration of the mining right on 6 December 2017. The variation to the term of repayment shall further enhance the motivation of the HDSA Shareholders to continue to be involved in TGL's South African gold mining projects and shall benefit the interest of the Group and the Shareholders in the long term.

The Directors (save for the independent non-executive Directors, who will express their view after considering the advice from the Independent Financial Adviser) are of the opinion that the further variation to the terms of the Vendor Financing Agreement is based on normal commercial terms which are fair and reasonable, negotiated on an arm's length basis between the parties, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As disclosed in the Announcement, the Transaction under the Supplemental Agreement constitute a discloseable and connected transaction of the Company under the Listing Rules. Given that the Supplemental Agreement and the Second Supplemental Agreement to the Vendor Financing Agreement were entered into between TGL and SepGold in relation to the Interest Waiver, the Clause 8 Deletion and the Extension, the Company has aggregated these transactions and has treated them as if they were one transaction pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As at the date of this announcement, SepGold is a substantial shareholder of TGL. TGL is a non-wholly owned subsidiary of the Company and therefore SepGold is a connected person of the Company at its subsidiary level. The Interest Waiver by TGL to SepGold therefore constitutes a connected transaction (financial assistance) of the Company. It is currently expected that all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Interest Waiver are less than 5%. In the meantime, all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Clause 8 Deletion and the Revised Extension are over 5% but less than 25%. The Clause 8 Deletion and the Revised Extension constitute a discloseable and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14 & 14A of the Listing Rules.

SGM AND DESPATCH OF CIRCULAR

The Company will convene a special general meeting for the purpose of, among other things, obtaining the Independent Shareholders' approval for the Supplemental Agreement, the Second Supplemental Agreement as well as the transactions contemplated thereunder. SepGold and its associates will abstain from voting on the relevant resolution at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Supplemental Agreement, the Second Supplemental Agreement as well as the transactions contemplated thereunder. Donvex Capital Limited has also been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, (1) further details of the Supplemental Agreement, the Second Supplemental Agreement as well as the transactions contemplated thereunder; (2) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Agreement, the Second Supplemental Agreement as well as the transactions contemplated thereunder; (3) a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (4) a notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

In this announcement, the conversion of Hong Kong dollar into South African Rand is based on the exchange rate of HK\$1.00 to ZAR1.76 and is for illustrative purposes only.

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

Hong Kong, 4 May 2018

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. Phen Chun Shing Vincent. The Independent Non-executive Directors are Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang.