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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)

**(1) THE POTENTIALLY UNLAWFUL ISSUE OF
TGL WARRANTS WITH VOTING RIGHTS AND GRANT
OF VOTING RIGHTS TO TGL OPTIONS
(2) POSTPONEMENT OF ANNUAL GENERAL MEETING
(3) CONTINUED SUSPENSION OF TRADING OF THE SHARES**

Potentially Unlawful Events

During the course of the TGI Legal Action, the Company has received a copy of the TGL Provisional Financial Statements and other documents from the TGL Board, which indicated that after being acquired by the Company on 8 September 2011, TGL has issued the TGL Warrants and has granted voting rights to the TGL Options such that each TGL Option would carry the same voting right as an issued TGL Share.

The Company has obtained legal advice to the effect that the issue of the TGL Warrants may have been unlawful under laws of South Africa and has instructed its legal advisers to commence legal proceedings to obtain a declaratory court order as regards the lawfulness of the TGL Warrants and for the TGL Warrants to be set aside, if they are held by the Court to have been unlawfully issued. The Company has not been provided with any underlying documents in relation to the granting of voting rights in respect of TGL Options. The Company is in the process of ascertaining the legality of the grant of voting rights to the TGL Options under laws of South Africa. Subject to legal advice, the Company will take appropriate legal action to have the grant of voting rights to the TGL Options set aside by the Court if such grant is held to be unlawful by the Court. The Company also intends to take all other available legal measures to protect the interests of the Company as the majority shareholder of TGL.

Although the Company is taking appropriate actions to challenge the legality of the Potentially Unlawful Events as highlighted above, to illustrate the materiality of the Potentially Unlawful Events, if the issue of the TGL Warrants with voting rights were lawful, it would have constituted a deemed disposal of the Company's interest in TGL pursuant to Rule 14.29 of the Listing Rules. Such deemed disposal would have constituted a very substantial disposal for the Company on the basis that the percentage ratios as set out in Rule 14.07 of the Listing Rules for determining the classification of a transaction exceed 75%. TGL will also cease to be a subsidiary of the Company. This will further have an impact on the manner in which the Company should account for TGL in its consolidated financial statements for the year ended 31 March 2012.

* For identification purpose only

Furthermore, as Electrum is a substantial shareholder of the Company and TGL and Dr. David Twist was a director of TGL during the 12 months preceding the issue of the relevant TGL Warrants, they are therefore connected persons of the Company. The issue of the TGL Warrants to Electrum and Dr. David Twist, and if any of the other Potentially Unlawful Events involved any connected person of the Company, would have constituted connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. The Potentially Unlawful Events should also have been subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

Postponement of AGM and continued suspension of trading

As a result of the Incident, the date of the Company's AGM will also be delayed to a later date. 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.

Reference is made to the Company's announcement (the "**Announcement**") dated 13 June 2012 in relation to, among other things, the Incident and the delay in publication of the 2012 Results Announcement. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those used in the Announcement. This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

THE POTENTIALLY UNLAWFUL ISSUE OF TGL WARRANTS WITH VOTING RIGHTS AND GRANT OF VOTING RIGHTS TO TGL OPTIONS

As stated in the Announcement, as a result of the Incident, the Company has instructed its legal advisers to assist the Company in taking all appropriate legal action to protect its interests. The Company, through its legal advisers, has commenced formal legal proceedings against TGL, among other things, (i) to replace the majority of the directors of the TGL Board; and (ii) to obtain the annual financial statements of the TGL Group for the year ended 31 March 2012 and other necessary information to enable the Company to complete its audited consolidated financial statements for the year ended 31 March 2012.

During the course of the TGI Legal Action, the Company has received a copy of the TGL Provisional Financial Statements and other documents from the TGL Board, which indicated that after being acquired by the Company on 8 September 2011:

- (a) TGL has issued the TGL Warrants; and
- (b) TGL has granted voting rights to the TGL Options such that each TGL Option would carry the same voting right as an issued TGL Share.

Neither the Company nor the Board was aware of the Potentially Unlawful Events until the TGL Provisional Financial Statements was made available to the Company and the Company has not been offered the opportunity to participate in the issue of the TGL Warrants. The Board has also never authorised either of the Potentially Unlawful Events.

Based on copies of the warrant certificates which the Company obtained on 11 September 2012, on 12 January 2012, TGL issued (i) 35,000,000 TGL Warrants to Dr. David Twist, a former director and current consultant of TGL and (ii) 30,000,000 TGL Warrants to Electrum, a substantial shareholder of the Company and TGL. The TGL Warrants issued to both Dr. David Twist and Electrum carry identical terms. Each TGL Warrant was issued at a cash consideration of R0.01. Each TGL Warrant confers the right on its holder to subscribe for one TGL Share at an exercise price of R25.0 per TGL Share, which is subject to various anti-dilution adjustments. The exercise period of the TGL Warrants is from 12 January 2012 to 4 January 2017. Although it is stated in the warrant certificates that the holder of the TGL Warrants would not be entitled to any right or interest as a shareholder of TGL, it nonetheless provides that the holder of the TGL Warrants shall have the right to call for, attend and vote at a shareholders meeting of TGL, provided that the holder has deposited the relevant TGL Warrants with TGL.

While the TGL Provisional Financial Statements has not been endorsed by TGL's auditors and its contents may be subject to further changes, the Board has sighted copies of the warrant certificates in respect of the TGL Warrants. The Company has obtained legal advice to the effect that the issue of the TGL Warrants may have been unlawful under laws of South Africa and has instructed its legal advisers to commence legal proceedings to obtain a declaratory court order as regards the lawfulness of the TGL Warrants and for the TGL Warrants to be set aside if they are held by the Court to have been unlawfully issued.

The Company has not been provided with any underlying documents in relation to the granting of voting rights in respect of TGL Options. The Company is in the process of ascertaining the legality of the grant of voting rights to the TGL Options under laws of South Africa. Subject to legal advice, the Company will take appropriate legal action to have the grant of voting rights to the TGL Options set aside by the Court if such grant is held to be unlawful by the Court. The Company also intends to take all other available legal measures to protect the interests of the Company as the majority shareholder of TGL.

VOTING RIGHTS IN TGL

The voting rights attached to the TGL Warrants and the voting rights granted to the holders of the TGL Options represent approximately 19.99% and 7.27% of the total voting rights in respect of TGL respectively (as enlarged by (i) the issue of the TGL Warrants with voting rights; and (ii) the grant of voting rights to the TGL Options). After (i) the issue of the TGL Warrants with voting rights and (ii) the grant of voting rights to the TGL Options, the voting rights of the Company in TGL will decrease from 55.94% to 40.69%.

LISTING RULES IMPLICATIONS

Immediately prior to the Potentially Unlawful Events, the Company was interested directly and indirectly in approximately 55.94% and 12.98% of the issued share capital of TGL respectively and TGL has been a non-wholly owned subsidiary of the Company. The financial results and position of TGL have also been consolidated into the consolidated financial statements of the Company since 8 September 2011.

Although the Company is taking appropriate actions to challenge the legality of the Potentially Unlawful Events as highlighted above, to illustrate the materiality of the Potentially Unlawful Events, if the issue of the TGL Warrants with voting rights were lawful, it would have constituted a deemed disposal of the Company's interest in TGL pursuant to Rule 14.29 of the Listing Rules. Such deemed disposal would have constituted a very substantial disposal for the Company on the basis that the percentage ratios as set out in Rule 14.07 of the Listing Rules for determining the classification of a transaction exceed 75%. TGL will also cease to be a subsidiary of the Company. This will further have an impact on the manner in which the Company should account for TGL in its consolidated financial statements for the year ended 31 March 2012.

Furthermore, as Electrum is a substantial shareholder of the Company and TGL and Dr. David Twist was a director of TGL during the 12 months preceding the issue of the relevant TGL Warrants, they are therefore connected persons of the Company. The issue of the TGL Warrants to Electrum and Dr. David Twist, and if any of the other Potentially Unlawful Events involved any connected person of the Company, would have constituted connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. The Potentially Unlawful Events should also have been subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

INFORMATION RELATING TO TGL

TGL was incorporated under the laws of South Africa. The TGL Group 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 at 30 September 2011, the unaudited total assets of the TGL Group (excluding provisional goodwill arising from acquisition of TGL) represented approximately 76% of the total assets of the Company and its subsidiaries.

POSTPONEMENT OF ANNUAL GENERAL MEETING

Reference is made to the Announcement where it was disclosed that the Board was unable to publish the 2012 Results Announcement by the Prescribed Publication Date. As a result of the Incident, the Company was also unable to publish the 2012 Annual Report before 31 July 2012. Accordingly, the date of the Company's AGM will also be delayed to a later date. The Company will publish further announcements to inform Shareholders of the dates of the publication of the 2012 Results Announcement, the AGM and the despatch of the 2012 Annual Report.

CONTINUED SUSPENSION OF TRADING OF THE SHARES

Trading in the Shares on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 8 June 2012 at the request of the Company. The Company will issue further announcement on the progress of the Incident and the Potentially Unlawful Events as and when appropriate before the publication of the 2012 Results Announcement and the 2012 Annual Report. 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.

DEFINITIONS

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

“AGM”	the Company’s annual general meeting for 2012
“Court”	the High Court of South Africa
“Electrum”	Electrum Strategic Exploration Ltd., a substantial shareholder of the Company and TGL
“Potentially Unlawful Events”	the issue of the TGL Warrants with voting rights and the grant of voting rights to the TGL Options such that each TGL Option would carry the same voting right as an issued TGL Share
“South Africa”	the Republic of South Africa
“TGI Legal Action”	the legal proceedings instituted by the Company (through its legal advisers) against TGL to, among other things, (i) replace the majority of the directors of the TGL Board; and (ii) obtain the annual financial statements of TGL and its subsidiaries for the year ended 31 March 2012 and other necessary information to enable the Company to complete its audited consolidated financial statements for the year ended 31 March 2012
“TGL Options”	the aggregate of 23,645,210 outstanding options previously granted by TGL to certain employees of TGL which have become vested on or before 1 November 2010. They are exercisable for a maximum of 23,645,210 TGL Shares
“TGL Provisional Financial Statements”	TGL’s provisional consolidated financial statements for the thirteen months ended 31 March 2012
“TGL Share(s)”	the ordinary shares of R0.01 each in the issued share capital of TGL
“TGL Warrants”	the aggregate of 65,000,000 warrants issued by TGL to Dr. David Twist and Electrum, conferring the rights to subscribe for a maximum of 65,000,000 TGL Shares and exercise voting rights in respect of the underlying TGL Shares for as long as the warrants have been deposited with TGL, and each a “TGL Warrant”
“R”	South African Rand, the lawful currency of South Africa

By order of the Board
Taung Gold International Limited
Li Hok Yin
Chairman and Chief Executive Officer

Hong Kong, 19 September 2012

As at the date of this announcement, the Board comprises six Directors. The Executive Directors are Mr. Li Hok Yin, Ms. Cheung Pak Sum and Mr. Shen Junchen. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Hui Wah Tat, Anthony and Mr. Li Kam Chung.