

TAUNG | TAUNG GOLD INTERNATIONAL LIMITED

OLD | 壇金礦業有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 621

TAUNG OLD

2015 Interim Report

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Hok Yin (*Co-chairman*)

Mr. Christiaan Rudolph de Wet de Bruin
(*Co-chairman*)

Mr. Neil Andrew Herrick
(*Chief Executive Officer*)
(resigned on 27 July 2015)

Ms. Cheung Pak Sum

Mr. Igor Levental

Non-Executive Director

Mr. Phen Chun Shing Vincent
(appointed on 27 July 2015)

Independent Non-Executive Directors

Mr. Chui Man Lung, Everett

Mr. Li Kam Chung

Mr. Walter Thomas Segsworth

COMPANY SECRETARY

Ms. Wong Pui Yee
(appointed on 1 October 2015)

Mr. Tung Yee Shing
(resigned on 30 September 2015)

AUTHORISED REPRESENTATIVES

Mr. Li Hok Yin

Ms. Cheung Pak Sum

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON HONG KONG LAW

TC & Co., Solicitors

LEGAL ADVISERS ON BERMUDA LAW

Appleby

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12, Bermuda

COMPANY WEBSITE

www.taunggold.com

The Board of Directors (the "Board") of Taung Gold International Limited (the "Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2015 were as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Notes	Six months ended	
		30 September	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	2	–	–
Cost of sales		–	–
Gross profit		–	–
Other income	4	20,081	26,327
Other gains and losses	5	(147)	310,646
Administrative and operating expenses		(31,137)	(20,109)
Fair value change on gross obligation under put options		121,780	–
Share of results of associates		–	362
Profit before taxation		110,577	317,226
Income tax expense	6	–	–
Profit for the period	7	110,577	317,226
Other comprehensive expense for the period:			
Exchange difference on translation of foreign operations		(102,028)	(34,404)
Total comprehensive income for the period		8,549	282,822

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2015

	Notes	Six months ended 30 September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period attributable to:			
– owners of the Company		106,720	313,086
– non-controlling interests		3,857	4,140
		110,577	317,226
Total comprehensive (expense) income attributable to:			
Owners of the Company		34,445	288,297
Non-controlling interests		(25,896)	(5,475)
		8,549	282,822
Earnings per share			
Basic (HK cents)	9	0.86	2.57
Diluted (HK cents)		0.86	2.55

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		3,078	3,583
Exploration assets		3,806,822	3,664,236
Interests in associates		18,533	18,514
Amount due from an associate		29,287	29,287
Available-for-sale investment		49,860	50,007
Loans to shareholders of a subsidiary		258,362	296,549
Deposits for rehabilitation		720	830
Deposits for acquisition of investment		–	30,000
Pledged bank deposits	10	2,132	2,401
		4,168,794	4,095,407
Current assets			
Other receivables and other deposits		30,213	17,706
Deposits for acquisition of investment		30,000	103,000
Bank balances and cash		234,929	95,611
		295,142	216,317
Current liabilities			
Other payables and accruals		34,581	5,739
Derivative financial instruments			
– put options	13(b)	–	–
Gross obligation under put options	13(a)	152,967	370,785
		187,548	376,524
Net current assets (liabilities)		107,594	(160,207)
Total assets less current liabilities		4,276,388	3,935,200

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2015

	Note	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Capital and reserves			
Share capital	15	147,912	124,429
Reserves		3,037,737	2,621,775
Equity attributable to owners of the Company		3,185,649	2,746,204
Non-controlling interests		1,090,739	1,188,996
Total equity		4,276,388	3,935,200

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Other reserves HK\$'000	Share options reserve HK\$'000	(Accumulated loss)/ retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	124,429	4,794,395	(313,827)	(479,168)	-	(1,379,625)	2,746,204	1,188,996	3,935,200
Profit for the period	-	-	-	-	-	106,720	106,720	3,857	110,577
Other comprehensive expense for the period	-	-	(72,275)	-	-	-	(72,275)	(29,753)	(102,028)
Total comprehensive (expense)/ income for the period	-	-	(72,275)	-	-	106,720	34,445	(25,896)	8,549
Issue of new shares under placement	14,247	138,190	-	-	-	-	152,437	-	152,437
Issue of new shares for acquisition of a subsidiary	2,311	22,877	-	-	-	-	25,188	-	25,188
Recognition of equity-settled share-based payments	-	-	-	-	17,962	-	17,962	-	17,962
Issue of new shares upon exercise of options by the holders of options of Taung Gold Limited ("TGL")	6,925	89,113	-	41,014	-	-	137,052	-	137,052
Acquisition of additional interest in a subsidiary through subscription of shares	-	-	-	72,361	-	-	72,361	(72,361)	-
At 30 September 2015 (unaudited)	147,912	5,044,575	(386,102)	(365,793)	17,962	(1,272,905)	3,185,649	1,090,739	4,276,388
At 1 April 2014 (audited)	121,799	4,758,396	(236,969)	(644,160)	-	(1,046,860)	2,952,206	1,313,506	4,265,712
Profit for the period	-	-	-	-	-	313,086	313,086	4,140	317,226
Other comprehensive expense for the period	-	-	(24,789)	-	-	-	(24,789)	(9,615)	(34,404)
Total comprehensive income (expense) for the period	-	-	(24,789)	-	-	313,086	288,297	(5,475)	282,822
At 30 September 2014 (unaudited)	121,799	4,758,396	(261,758)	(644,160)	-	(733,774)	3,240,503	1,308,031	4,548,534

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(28,979)	(15,728)
Net cash used in investing activities	(16,546)	(13,282)
Net cash from financing activities	193,451	–
Net increase (decrease) cash and cash equivalents	147,926	(29,010)
Cash and cash equivalents at beginning of the period	95,611	129,863
Effects of exchange rate changes	(8,608)	(4,013)
Cash and cash equivalents at end of the period	234,929	96,840
Analysis of balances of cash and cash equivalents		
Cash and bank balances	234,929	96,840

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (“interim financial statements”) for the six months ended 30 September 2015 has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which was prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The accounting policies adopted in the preparation of interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs that are mandatorily effective for the current interim period.

The application of the new amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim financial statements.

2. REVENUE

An analysis of the Group’s revenue for the period is as follows:

	Six months ended	
	2015	2014
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Revenue from sale of minerals	–	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) gold exploration and development in South Africa; and
- (b) trading of minerals.

An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the six months ended 30 September 2015 is as follows:

For the six months ended 30 September 2015

	Gold mining operations HK\$'000 (unaudited)	Sales of minerals HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE			
External sales	–	–	–
Inter-segment sales	–	–	–
Total	–	–	–
RESULTS			
Segment results	(6,857)	(2)	(6,859)
Other income			20,081
Other gains and losses			(147)
Unallocated corporate expenses			(24,278)
Fair value change on gross obligation under put options			121,780
Profit before taxation			110,577
Income tax expense			–
Profit for the period			110,577

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

3. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2014

	Gold mining operations HK\$'000 (unaudited)	Sales of minerals HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE			
External sales	-	-	-
Inter-segment sales	-	-	-
Total	-	-	-
RESULTS			
Segment results	(13,047)	(1)	(13,048)
Other income			26,327
Other gains and losses			310,646
Unallocated corporate expenses			(7,061)
Share of results of associates			362
Profit before taxation			317,226
Income tax expense			-
Profit for the period			317,226

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

4. OTHER INCOME

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income on loan to a shareholder of a subsidiary	17,487	22,690
Interest on bank deposits	2,594	3,637
	20,081	26,327

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on de-recognition of put options and gross obligation under put options	–	280,411
Reversal of impairment loss on acquisition	–	30,253
Losses on disposal of property, plant and equipment	(147)	(18)
	(147)	310,646

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

6. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the period. The PRC associates are subject to the PRC enterprise income tax at 25% (2014: 25%). The South African subsidiaries are subject to the corporate tax at 28% (2014: 28%).

No taxation has been provided as the Group has not assessable profit for the six months ended 30 September 2015.

7. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	471	529
Minimum lease payments paid under operating leases during the period:		
– Premises	949	1,325
Employee benefits expense:		
Share – based payments	17,962	–
Wages and salaries	7,783	10,855
Contributions to retirement benefits scheme	134	49
Less: Amounts capitalised in projects	(3,412)	(3,976)
	22,467	6,928

8. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

9. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for the six months ended 30 September 2015 together with the comparative figures for 2014 are as follows:

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	106,720	313,086

	Six months ended 30 September	
	2015 '000 (unaudited)	2014 '000 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	12,431,575	12,179,916
Adjustment for unlisted warrants	–	88,848
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	12,431,575	12,268,764

The computation of diluted earnings per share for the six months ended 30 September 2015 does not assure the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

10. PLEDGED BANK DEPOSITS

As at 30 September 2015, a subsidiary of the Company in South Africa had pledged bank deposits of approximately South African Rand ("ZAR") ZAR3,842,000 (equivalent to approximately HK\$2,132,000) (31 March 2015: ZAR3,758,000 (equivalent to approximately HK\$2,401,000)) in relation to the provision of bank guarantees to a contractor, the Department of Mineral Resources in South Africa.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

11. ACQUISITION OF SUBSIDIARIES

On 6 July 2015, the Company entered into an acquisition agreement (the “Acquisition Agreement”) with Cambright Investment Limited and PacBridge Partners I Investments Co. Ltd. (the “Sellers”) pursuant to which the Company conditionally agreed to acquire and the Sellers conditionally agreed to sell 100% equity interest in Minex Resources Pte. Ltd. (“Minex”) for a total consideration of US\$28,000,000 (equivalent to approximately HK\$217,000,000), of which the Sellers are entitled for US\$24,000,000 in relation to the acquisition of Minex and the Metallurgical Testing as defined in the announcement issued by the Company on 6 July 2015 (the “Announcement”) and the Sellers are entitled for the remaining US\$4,000,000 for the completion of PTRTJ PMA as defined in the Announcement. Minex is a private, Singapore incorporated company with interests in two gold concessions in North Sulawesi, Indonesia.

The acquisition was completed on 24 August 2015. Upon completion of the acquisition, the Company directly holds a 100% equity interest in Minex and indirectly holds a 95% equity interest in Indonesian company PT Bolmong Timur Primanusa Resources (“PTBTPR”). Minex and PTBTPR have respectively become a wholly-owned subsidiary and an indirectly non-wholly owned subsidiary of the Company. The Company also holds a CSPA (as defined in the Announcement) to acquire 75% issued share capital of PTRihendy Tri Jaya (“PTRTJ”).

The consideration of US\$24,000,000 is settled by cash of US\$20,000,000 (equivalent to approximately HK\$155,117,000) and 231,080,513 shares of the Company with fair value of HK\$25,188,000 based on the market price at the date of completion. As at 30 September 2015, the Group has settled US\$16,000,000 (equivalent to approximately HK\$124,117,000) and issued the relevant shares of the Company while the unsettled balance was recognised as the consideration payable of US\$4,000,000 (equivalent to approximately HK\$31,000,000). Accordingly, the exploration assets are recorded at HK\$180,305,000 with reference to the fair value of the consideration transferred.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

12. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Within one year	1,896	1,357
In the second to fifth year inclusive	982	–
	2,878	1,357

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated and rentals are fixed for a lease term of two to three years.

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS

(a) Gross obligation under put options

The Group granted put options to acquire TGL's shares from the South African Shareholders and the holders of options of TGL ("TG Optionholders"). Details of the put options are set out in note 13(b).

Upon the issuance of the put options, the Group has a commitment to settle the contractual obligation by cash proceeds from sales (at the times of exercise of the options) of a maximum of 2,392,161,765 of the Company's shares. The gross obligation under these put options are designated as FVTPL at initial recognition and stated at fair value. As at 30 September 2015, the fair value of the gross obligation under put options with reference to the Company's share price of HK\$0.09 (31 March 2015: HK\$0.155) per share was HK\$152,967,000 (2014: HK\$370,785,000). During the six months ended 30 September 2015, net decrease in fair value of HK\$121,780,000 was recognised in profit or loss. The Company's share price as at 31 March 2015 and 30 September 2015 was with reference to quoted market price available on the Stock Exchange.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(a) Gross obligation under put options *(Continued)*

As disclosed in note 13(b), 6,227,312 and 6,748,000 put options granted to TG Optionholders on 5 September 2014 were exercised on 10 June 2015 and 21 August 2015, 692,533,968 Company's shares were issued upon the exercise of these put options, fair value on gross obligation under put options of HK\$53,180,000 and HK\$42,858,000 respectively was derecognised. The fair value on the gross obligation under put options at the date of exercise were with reference to the quoted market price of the Company of HK\$0.160 and HK\$0.119 per share available on the Stock Exchange.

(b) Derivative financial instruments – put options

Put options for the acquisition of additional interest in TGL

(i) Put option agreements between the Company, GoldCom and South African Shareholders

The South African Shareholders had 21,174,316 shares of TGL on 8 September 2011. To facilitate the South African Shareholders selling their shares in TGL to the Company, the Company granted put options to the South African Shareholders. The consideration payable by each South African Shareholder for the grant of the put option is ZAR1. Due to foreign exchange control restrictions in South Africa, the South African Shareholders are restricted from on-selling, transferring or dealing in the Company's shares. Accordingly, GoldCom was introduced to facilitate the arrangements under the put option agreements between the Company and the South African Shareholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(b) Derivative financial instruments – put options *(Continued)*

Put options for the acquisition of additional interest in TGL *(Continued)*

(i) Put option agreements between the Company, GoldCom and South African Shareholders (Continued)

To facilitate the payment of the put option exercise price upon the exercise of the put options, on 8 September 2011, Gold Commercial Services Limited (“GoldCom”) subscribed for 1,130,141,116 of the Company’s shares in consideration for the issuance of the loan note with nil interest. The shares are kept by an escrow agent appointed jointly by GoldCom, the Company and the South African Shareholders. The loan note is unsecured. The Company will not demand repayment of any amount outstanding under the loan note prior to the sales on the Stock Exchange of the Company’s shares and the receipt by GoldCom of an amount equivalent to the cash proceeds from the sales of the Company’s shares upon exercise of put options by the South African Shareholders. In substance, GoldCom is acting in the role of an agent and the arrangement of loan note and the share subscription is only to facilitate the issuance of the Company’s shares prior to the exercise of put options. Accordingly, the Company’s shares issued for the loan note are accounted for as if they are treasury shares. The closing market price of the Company’s share on 8 September 2011 was HK\$0.46. The share capital and share premium relating to these shares issued to GoldCom for the exchange of a loan note amounting to HK\$519,865,000 is recognised as other reserve in equity in the consolidated statement of changes in equity.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(b) Derivative financial instruments – put options *(Continued)*

Put options for the acquisition of additional interest in TGL *(Continued)*

(i) Put option agreements between the Company, GoldCom and South African Shareholders (Continued)

Pursuant to the put option agreements dated 8 September 2011, the South African Shareholders may sell their TGL shares to the Company through GoldCom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. Such right to sell TGL shares to the Company through GoldCom may be exercised by the South African Shareholders at any time within three years from 8 September 2011.

The put options may not be transferred by the South African Shareholders without the prior written consent of the other parties to the put option agreements. In addition, if any South African Shareholder wishes to sell all or part of the TGL shares held by him to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company through GoldCom. If any South African Shareholder has not exercised his put options in full within three years from 8 September 2011, GoldCom shall sell through the Stock Exchange the remaining Company's shares it then holds and the cash proceeds from such sales shall be paid to the Company in repayment of the loan note. The risk of any reduction in value of the Company's shares is borne by the Company.

The put options agreement expired on 7 September 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(b) Derivative financial instruments – put options *(Continued)*

Put options for the acquisition of additional interest in TGL *(Continued)*

(i) Put option agreements between the Company, GoldCom and South African Shareholders (Continued)

On 5 September 2014, the Company, GoldCom and TGL entered into the new put option agreements (“New put option agreements”) with each of the South African Shareholders and pursuant to the New put option agreements, the Company granted the South African Shareholders the right to sell their TGL shares to the Company through GoldCom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company’s shares upon the transfer of TGL shares to the Company. Such right to sell TGL shares to the Company through GoldCom may be exercised by the South African Shareholders at any time before 7 September 2016.

The put options may not be transferred by the South African Shareholders without the prior written consent of the other parties to the New put option agreements. In addition, if any South African Shareholder wishes to sell all or part of the TGL shares held by him to a third party during the term of the New put option agreements, he shall first be required to offer such TGL shares to the Company through GoldCom. If any South African Shareholder has not exercised his put options in full before 7 September 2016, GoldCom shall sell through the Stock Exchange the remaining Company’s shares it then holds and the cash proceeds from such sales shall be paid to the Company in repayment of the loan note. The risk of any reduction in value of the Company’s shares is borne by the Company.

During the period ended 30 September 2015, no put options were exercised by the South African Shareholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(b) Derivative financial instruments – put options *(Continued)*

Put options for the acquisition of additional interest in TGL *(Continued)*

(ii) *Put options granted by the Company to the TG Optionholders*

Pursuant to the put option agreements dated 8 September 2011 entered into between the TG Optionholders, GoldCom, TGL and the Company, the Company and GoldCom granted to the TG Optionholders the right to sell a maximum number of 18,916,168 TGL shares to the Company or to the Company through GoldCom for a maximum of 1,009,616,519 new shares of the Company upon their exercise of the options granted by TGL. The put options may be exercised by the TG Optionholders at any time within three years from 8 September 2011.

When the TG Optionholders are South African Shareholders, they may sell their TGL shares obtained from exercise of the options granted by TGL to the Company through GoldCom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, they may sell their TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company's shares to the TG Optionholders using an exchange ratio of about 53 Company's shares for every 1 TGL share.

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the put option agreements. In addition, if any TG Optionholder wishes to sell all or part of the TGL shares obtaining from exercise of the options granted by TGL to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company.

The consideration payable by each of the TG Optionholders for the grant of the put option is ZAR1.

The put option agreements expired on 7 September 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(b) Derivative financial instruments – put options *(Continued)*

Put options for the acquisition of additional interest in TGL *(Continued)*

(ii) Put options granted by the Company to the TG Optionholders (Continued)

On 5 September 2014, the Company, GoldCom and TGL entered into the new optionholder agreements (“New optionholder agreements”) with each of the TG Optionholders and pursuant to the New optionholder agreements, the Company granted the TG Optionholders the right to sell a maximum number of 23,645,210 TGL shares to the Company or to the Company through GoldCom for a maximum of 1,262,020,649 new shares of the Company upon their exercise of the options granted by TGL. The put options may be exercised by the TG Optionholders at any time before 7 September 2016.

When the TG Optionholders are South African Shareholders, they may sell their TGL shares obtained from exercise of the options granted by TGL to the Company through GoldCom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, they may sell their TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company’s shares to the TG Optionholders using an exchange ratio of about 53 Company’s shares for every 1 TGL share.

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the New optionholder agreements. In addition, if any TG Optionholder wishes to sell all or part of the TGL shares obtaining from exercise of the options granted by TGL to a third party during the term of the New optionholder agreements, he shall first be required to offer such TGL shares to the Company.

The consideration payable by each of the TG Optionholders for the grant of the put option is ZAR1.

During the period ended 30 September 2015, 12,975,312 put options were exercised by the TG Optionholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(c) Derivative financial instruments – call options

Call options for the acquisition of additional interest in TGL

- (i) *Call options granted by the South African Shareholders to the Company*
- Pursuant to the New put option agreements dated 5 September 2014, the Company may acquire the TGL shares from the South African Shareholders through GoldCom in respect of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. Such right to acquire TGL shares from the South African Shareholders through GoldCom may be exercised by the Company at any time before 7 September 2016.

The call options may not be transferred by the Company without the prior written consent of the other parties to the New put option agreements. In addition, the call options shall automatically terminate when the Company acquires 80% or more of the TGL shares from the South African Shareholders.

The exercise of the call options shall be conditional upon (a) a change of control of the Company 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 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 of the Company's share shall not less than HK\$0.20 per share.

The consideration payable by the Company to the South African Shareholders for the grant of the call option is HK\$1.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(c) Derivative financial instruments – call options *(Continued)*

Call options for the acquisition of additional interest in TGL *(Continued)*

(i) Call options granted by the South African Shareholders to the Company (Continued)

As at 31 March 2015, the directors of the Company considered that the possibility of exercisability of the call options is low as the likelihood of change of control of the Company is outside the control of the Company and not foreseeable, thus the fair value of the call options is considered as minimal. During the period ended 30 September 2015, no call options were exercised by the Company.

(ii) Call options granted by the TG Optionholders to the Company

Pursuant to the New optionholder agreements dated 5 September 2014, each of the TG Optionholders has granted the Company the right to acquire a maximum number of 23,645,210 TGL shares from TG Optionholders through GoldCom for a maximum of 1,262,020,649 new shares of the Company upon their exercise of the options granted by TGL. The call options may be exercised by the Company at any time before 7 September 2016.

When the TG Optionholders are South African Shareholders, the Company may acquire the TGL shares from the South African Shareholders through GoldCom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, the Company may acquire the TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company's shares to the TG Optionholders using an exchange ratio of about 53 Company's shares for every 1 TGL share.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

13. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS *(Continued)*

(c) Derivative financial instruments – call options *(Continued)*

Call options for the acquisition of additional interest in TGL *(Continued)*

(ii) Call options granted by the TG Optionholders to the Company *(Continued)*

The call options may not be transferred by the Company without the prior written consent of the other parties to the New optionholder agreements. In addition, if any put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the New optionholder agreements. In addition, the call options shall automatically terminate when the Company acquires 80% or more of the TGL shares from TG Optionholders.

The exercise of the call options shall be conditional upon (a) a change of control of the Company 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 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 of the Company's share shall not less than HK\$0.20 per share.

The consideration payable by the Company to the TG Optionholders for the grant of the call option is HK\$1.

As at 30 September 2015, the directors of the Company considered that the possibility of exercisability of the call options is low as the likelihood of change of control of the Company is outside the control of the Company and not foreseeable, thus the fair value of the call options is considered as minimal. During the period ended 30 September 2015, no call options were exercised by the Company.

The call options granted by South African Shareholders and TG Optionholders to the Company are classified as derivative financial instruments and stated at fair value.

14. COMMITMENTS

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Capital commitment to gold projects:		
– Service contracts	–	5,180
	–	5,180

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2015

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 September 2015	30,000,000,000	300,000
Issue and fully paid:		
At 1 April 2015	12,442,915,688	124,429
Issue of shares under New TG Optionholder Put Option Agreement <i>(Note a)</i>	692,533,968	6,925
Issue of shares under placement <i>(Note b)</i>	1,424,640,000	14,247
Issue of shares under Acquisition Agreement <i>(Note c)</i>	231,080,513	2,311
At 30 September 2015	14,791,170,169	147,912

Note a: Pursuant to the New TG Optionholder Agreement dated 7 September 2014, the TG Optionholders were granted rights to sell their TG Shares to the Company at the Share Exchange Ratio. As at 30 September 2015, 692,533,968 Shares were issued upon exercise of 12,975,312 TG Optionholder put options. Details of New TG Optionholder Agreement are set out in note 13.

Note b: As disclosed in the announcements of the Company dated 24 July 2015, 1,424,640,000 ordinary shares of HK\$0.01 each were issued at HK\$0.107 per share through placement to various placees, who and whose ultimate beneficial owners are independent and not connected with the Group, with gross proceeds of HK\$152,437,000. These placing shares were issued under the general mandate granted to the directors by the Company's shareholders at the Company's annual general meeting held on 4 September 2014.

Note c: Pursuant to the Acquisition Agreement dated 6 July 2015, the Company issued 231,080,513 new shares to the Sellers as partial consideration for acquisition of two gold concessions held by Minex. Details of the Acquisition Agreement are set out in note 11.

All shares ranked *pari passu* in all respects with other shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the exploration and development of goldmines in the Republic of South Africa ("South Africa") and the Republic of Indonesia ("Indonesia").

During the period under review, The Group recorded a net profit attributable to owners of approximately HK\$106,720,000 or a earning of HK\$0.86 cents per share (basic), compared with a net profit attributable to owners of the Company for the period ending 30 September 2014 of approximately HK\$313,086,000 or earning of HK\$2.57 cents per share (basic).

INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group's had no outstanding bank borrowings (31 March 2015: Nil) and no banking facilities (31 March 2015: Nil).

The Group's gearing ratio as at 30 September 2015 was zero (31 March 2015: zero), calculated based on the Group's total zero borrowings (31 March 2015: zero) over the Group's total assets of approximately HK\$4,463,936,000 (31 March 2015: HK\$4,311,724,000).

As at 30 September 2015, the balances of cash and cash equivalents of the Group were approximately HK\$234,929,000 (31 March 2015: HK\$95,611,000) and were mainly denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

FOREIGN EXCHANGE EXPOSURE

During the period ended 30 September 2015, the Group operated mainly in the PRC and the Republic of South Africa, and the majority of the Group's transaction and balances were denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need rise.

FUND RAISING ACTIVITY

A placing of Shares of approximately 1,424,640,000 Shares (the "Placing") was completed on 24 July 2015. The cash position of the Group has been strengthened by approximately HK\$152 million. Details of the Placing are set out in note 15 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS

During the period under review the Group did not carry out any field exploration activities and its attention was focused on advancing and completing the study work for the Evander and Jeanette projects and field work for metallurgical testing of samples from Garini, one of the Minex assets. The Company has not conducted any mining or production activities during the period under review.

The Evander Project

The Evander Project comprises the adjacent Six Shaft and Twistdraai areas in the Evander Goldfield on the northeastern limb of the Witwatersrand Basin, Mpumalanga, Province, South Africa. Taung Gold Secunda (Pty) Limited ("TGS"), a wholly owned subsidiary of Taung Gold (Pty) Limited ("TGL"), is the registered holder of mining right (the "Mining Right"), in terms of the Minerals and Petroleum Resources Development Act ("MPRDA"), for the Evander Project. During the period under review ZAR17.63m was spent on the Evander Project.

During the period no change in the Total Mineral Resource was made. The following table shows the Total Mineral Resources for the Evander Project (comprising both the Six Shaft and Twistdraai areas) stated at 7.67 million ounces gold at a mining grade 8.22g/t using a 500cmg/t cut-off grade as at resource declaration on 27 May 2013. The Measured and Indicated Resource makes up 72% of the Total Mineral Resource for the project.

MINERAL RESOURCE CLASSIFICATION	Mining Tonnes (t)	Mining Width (cm)	Mining Grade (g/t)	Mining Grade (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (kg)	Gold (Oz)
Total Project Mineral Resources at 500cmg/t Cut-off Grade								
Measured	140,100	118	10.64	1,213	87	13.92	1,490	47,905
Indicated	19,474,400	111	8.70	963	76	14.06	169,400	5,446,336
Inferred	9,419,500	111	7.20	800	65	18.31	67,790	2,179,499
Total Measured and Indicated	19,614,500	111	8.71	965	76	14.06	170,890	5,494,241
TOTAL MINERAL RESOURCES ^(Note)	29,034,000	111	8.22	911	72	15.44	238,680	7,673,740

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Evander Project *(Continued)*

Note:–

The information in this announcement that relates to the Mineral Resource for the Evander Project is based on information compiled by Mr. Garth Mitchell, who is a full time employee of ExplorMine Consultants, an independent mineral resources consultancy engaged by Taung Gold (Pty) Limited. Mr. Mitchell is a Member of the Southern African Institute of Mining and Metallurgy and a member of the Geological Society of South Africa. Mr. Mitchell has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities that he has undertaken to qualify as a Competent Person as defined in the 2007 Edition (amended July 2009) of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves. Mr. Mitchell has consented to the inclusion in this announcement of the matters based on information provided by him, in the form and context in which they appear.

Expenditure on the Evander Project for the period ended 30 September 2015:

Consultants & Service providers	ZAR4.78m
Staffing	ZAR2.82m
Overheads	ZAR10.03m
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Total	ZAR17.63m

The Jeanette Project

The Jeanette Project is located close to the town of Allanridge within the southwest margin of the Witwatersand Basin, north east of Wellcom, in the Free State Province of South Africa.

On 19 June 2015 Taung Gold Free State Proprietary Limited (“TGFS”) submitted an application for a mining right (the “Jeanette Mining Right”) over the area, which it had previously applied to consolidate into a single prospecting right (the “Prospecting Right”).

The application for the Jeanette Mining Right has been accepted by the Free State Office of the Department of Mineral Resources (“DMR”) and is now being evaluated and processed. The next step in the procedure will be the ministerial granting in terms of Section 22 of the MPRDA for the issuance of the Jeanette Mining Right and it is expected that this will be finalized during 2016. Thereafter, the execution and registration of the Jeanette Mining Right in the name of TGFS will take place. As the holder of the various Prospecting Rights that make up the Jeanette Project, TGFS enjoyed an exclusive right to apply for the Jeanette Mining Right over the project area. During the period under review ZAR4.96m was spent on the Jeanette Project.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Jeanette Project *(Continued)*

During the period the Total Mineral Resource was unchanged at 57.33 million tonnes and 18.24 million ounces gold at a mean grade of 5.57g/t for both Basal Reef and A-Reef. The cut-off grade for Basal Reef and A-Reef was used at 300cmg/t and 339cmg/t respectively as at 24 January 2013. The Indicated Resource on the Basal Reef makes up 85% of the Total Mineral Resource on the Basal Reef and 54% of the Total Mineral Resource.

MINERAL RESOURCE CLASSIFICATION	In-situ	Evaluation	Grade above	Grade above	Channel	Channel	Gold	Gold
	Tonnes (t)	Width (cm)	cut-off (g/t)	cut-off (cmg/t)	Width (cm)	Grade (g/t)		
Total Project Mineral Resources at 300cmg/t Cut-off Grade for Basal Reef and 339cmg/t for the A-Reef								
Indicated (Black Chert Facies)	11,486,000	100	8.22	822	30	26.83	308,111	9,906,000
Inferred (Black Chert Facies)	455,000	100	6.55	655	20	32.75	14,899	479,000
Inferred (Overlap Facies)	3,688,000	100	4.17	417	41	10.27	37,884	1,218,000
Inferred (A-Reef)	41,704,000	113	4.95	559	113	4.95	206,434	6,637,000
Total Indicated	11,486,000	100	8.22	822	30	26.83	308,111	9,906,000
Total Inferred	45,847,000	112	4.90	549	106	5.65	259,217	8,334,000
TOTAL MINERAL RESOURCES ^(Notes)	57,333,000	109	5.57	603	91	9.90	567,328	18,240,000

Note:—

The information in this announcement that relates to the Mineral resources for the Jeanette Project is based on information compiled by Mr. David Young, who is a Member of the Southern African Institute of Mining and Metallurgy, a Fellow of the Geological Society of South Africa and, a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Young has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities that he has undertaken to qualify as a Competent Person as defined in the 2007 Edition (amended July 2009) of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves. Mr. Young has consented to the inclusion in this announcement of matters based on information provided by him, in the form and context in which they appear.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Jeanette Project *(Continued)*

Expenditure on the Jeanette Project for the period ended 30 September 2015:

Consultants & Service providers	ZAR2.96m
Staffing	ZAR1.52m
Overheads	ZAR0.48m
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Total	ZAR4.96m
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Minex and the Indonesian Assets (the “Minex Project”)

Minex Resources Pte. Ltd. (“Minex”) became a wholly-owned subsidiary of the Company on 24 August 2015 upon fulfillment of the conditions precedent for completion in the Acquisition Agreement. At the same time, PT Bolmong Timur Primanusa Resources (“PTBTPR”) became a non-wholly owned subsidiary of the Company. Minex holds a 95% interest in PTBTPR. In addition, Minex will hold a 75% interest in PT Rihendy Tri Jaya (“PTRTJ”) upon conversion of PTRTJ into a Penanaman Modal Asing- Foreign Investment (“PMA”) Company. Shareholders are referred to the announcements made by the Company on 6 and 24 July 2015. PTBTPR is the holder of a concession that includes the Garini deposit under Mining Business License Operation Production. PTRTJ is the holder of a concession that contains several deposits with significant potential to hold gold mineralisation. The collection of samples for metallurgical testing (the “Metallurgical Testing”) was undertaken in late September 2015 and these samples have been delivered to PT. SGS Indonesia Assay Laboratories in Jakarta, where assay work will be completed to determine gold grades and prepare samples for the Metallurgical Testing. The prepared samples will then be transported to SGS South Africa (Pty) Limited, in Johannesburg, where the Metallurgical Testing will be carried out under the supervision of the Company’s management and independent metallurgical consultant. It is expected that the results of the Metallurgical Testing will be available before the end of the next reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLANS FOR THE EVANDER PROJECT, JEANETTE PROJECT AND MINEX PROJECT

The Evander Project

As of the date of this report the external review of the Evander Project Bankable Feasibility Study (“BFS”) is nearing completion and the results of the BFS will be announced in due course. The external review is being conducted by China ENFI Engineering Limited.

On 28 October 2014, the Company announced that it had entered into a Framework Agreement with MCC International Incorporation Ltd (“MCCI”), a wholly owned subsidiary of Metallurgical Corporation of China, pursuant to which the parties agreed to cooperate on an exclusive basis for a period of 12 months with the objective of entering into an Engineering, Procurement and Construction (“EPC”) contract for the development of the Evander Project. During the period under review the Company completed the compilation the Employer Requirements Document for the Evander Project based on the International Federation of Consulting Engineers (“FIDIC”) Yellow Book Contract and discussions with MCCI are continuing towards achieving the objective.

The Environmental Impact Assessment (“EIA”) for the Evander Project is ongoing and is expected to be completed by the end of April 2016. Completion of the EIA will also result in the submission of an application for a Water Use Licence (“WUL”) for the project. Together with the EIA, an amended Social and Labour Plan (“SLP”) and Mining Works Program (“MWP”) will also form the basis of an application under Section 102 of the MPRDA to amend the Mining Right accordingly. An EIA for the dewatering phase of the project has been approved and an application for a WUL for the dewatering phase of the project is being prepared and will be submitted to the relevant authorities by April 2016.

The Jeanette Project

The internal review of the Jeanette Project Pre-Feasibility Study (“PFS”) is almost complete and the results of the PFS will be announced in due course. The commencement date for the BFS for the project will be determined early in 2016.

The following activities required in terms of the Mining Right application are in progress:

- An EIA Scoping Report was submitted to the DMR and accepted on 8 September 2015 and the EIA will be completed early in January 2016.
- The SLP consultation process has been completed and the SLP document will be submitted to the DMR in the next few weeks.
- The MWP has been submitted to the DMR and feedback is awaited.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLANS FOR THE EVANDER PROJECT, JEANETTE PROJECT AND MINEX PROJECT *(Continued)*

The Minex Assets

A plan for the development of the Minex Assets will be compiled upon the completion of the Metallurgical Testing.

HUMAN RESOURCES

As at 30 September 2015, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 45 (2014: 50). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

SHARE OPTION SCHEME

The Company

Pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company's shareholders with effect from 4 January 2010 and in compliance with Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all share options (the "Share Options") granted or to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of issued Shares as at 4 January 2010, i.e. in aggregate, must not exceed 161,924,000 Shares. The 10% limit has not been previously refreshed since 4 January 2010.

At the Company's general meeting on 21 November 2014, mandate limit of the Share Option Scheme was refreshed by ordinary resolutions of the Company's shareholders. The Company may grant further Share Options carrying rights to subscribe for up to a total of 1,217,991,569 Shares under the Share Option Scheme (representing 10% of the issued share capital of the Company on 21 November 2014).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**SHARE OPTION SCHEME** (Continued)**The Company** (Continued)

Details of the Share Options granted under the Share Option Scheme (excluding the share options granted under share options scheme of Taung Gold Limited) as at 30 September 2015 are as follows:

	As at 1 April 2015	Number of Share Options		As at 30 September 2015	Exercise price (HK\$)	Grant date	Vesting period	Exercise period
		Granted	Lapsed					
Li Hok Yin	-	19,215,637	-	19,215,637				
Christiaan Rudolph de Wet de Bruin	-	19,215,637	-	19,215,637				
Cheung Pak Sum	-	19,215,637	-	19,215,637				
Igor Levental	-	19,215,637	-	19,215,637				
Chui Man Lung, Everett	-	19,215,637	-	19,215,637				
Li Kam Chung	-	19,215,637	-	19,215,637	HK\$0.149 per Share Option	16 July 2015	15 July 2016	16 July 2015 to 15 July 2020
Walter Thomas Segsworth	-	19,215,637	-	19,215,637				
Neil Andrew Herrick	-	19,215,637	-	19,215,637				
Consultant	-	44,252,463	-	44,252,463				
Continuous contact employee	-	74,753,570	-	74,753,570				
Total	-	272,731,129	-	272,731,129				

As at 30 September 2015, there were Share Options relating to 272,731,129 Shares granted by the Company representing 1.84% of the issued Shares as at the date of this Report pursuant to the Share Option Scheme which were valid and outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**SHARE OPTION SCHEME** (Continued)**Taung Gold (Proprietary) Limited**

Taung Gold (Proprietary) Limited ("TGL"), a non-wholly owned subsidiary of the Company, prior to the completion date of the acquisition of TGL in 2011, approved an option scheme during 2010 to enable employees to acquire shares in TGL to provide them with incentives to advance TGL's interest, to promote an identity of interest with shareholders and to retain the skills and expertise of employees. The total number of shares issued in terms of the scheme did not exceed 10% of the issued share capital of TGL.

During the six months ended 30 September 2015, the movements of the options which have been granted under the share option scheme of TGL are as follows:

Category of participants	Date of share option granted	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at end of the period	Subscription price (ZAR)	Exercise period
Employees of TGL	26 May 2010	5,982,000	-	5,982,000	-	-	4.950	26 May 2010 – 25 May 2015
	26 July 2010	4,413,000	-	4,413,000	-	-	4.950	26 July 2010 – 25 July 2015
	1 September 2010	6,559,000	-	1,318,068	5,240,932	-	7.425	1 September 2010 – 31 August 2015
	1 November 2010	2,210,000	-	-	-	2,210,000	9.900	1 November 2010 – 31 October 2015
			19,164,000	-	11,713,068	5,240,932	2,210,000	
Directors of the Company	26 May 2010	755,312	-	755,312	-	-	4.950	26 May 2010 – 25 May 2015
	26 July 2010	1,825,000	-	1,825,000	-	-	4.950	26 July 2010 – 25 July 2015
	1 September 2010	1,405,737	-	245,704	1,160,033	-	7.425	1 September 2010 – 31 August 2015
	1 November 2010	495,161	-	-	-	495,161	9.900	1 November 2010 – 31 October 2015
			4,481,210	-	2,826,016	1,160,033	495,161	
		23,645,210	-	14,539,084	6,400,965	2,705,161		

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SHARE OPTION SCHEME *(Continued)*

Taung Gold (Proprietary) Limited *(Continued)*

There were 2,705,161 options outstanding as at 30 September 2015 which represented approximately 1.08% of the total number of issued shares of TGL as at that date.

The put options granted to the TGL Optionholders expired on 7 September 2014, in relation to the sale to the Company of up to 18,916,168 shares of TGL for an aggregate consideration of up to 1,009,616,519 shares of the Company. On 5 September 2014, the Company entered into new agreements with the relevant parties for granting the TGL Optionholders new rights to sell a maximum number of 23,645,210 shares of TGL to the Company before 7 September 2016, for a maximum consideration of up to 1,518,258,797 shares of the Company. Also, up to 229,461,591 shares of the Company will be issued when First Refusal Rights are exercised by the Company at the maximum share exchange ratio on the put options which were granted by the South African Shareholders pursuant to the new agreements entered into between the Company and relevant parties on 5 September 2014. Details of granting the above put options to TGL Optionholders and South African Shareholders are set out in the circular of the Company dated 4 November 2014. Shareholders of the Company approved the grant of above put options at the special general meeting of the Company on 21 November 2014 by passing ordinary resolutions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2015, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which any Director or Chief Executive were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Long positions in shares and underlying shares of the Company

Name of Directors/ Chief Executive	Number of Ordinary Shares		Number of underlying shares held under share options	Total	Percentage of the issued share capital of the Company
	Personal interests	Corporate interests			
Christiaan Rudolph de Wet de Bruin ^(Note)	–	–	536,016,554	536,016,554	3.62%
Cheung Pak Sum	–	–	19,215,637	19,215,637	0.13%
Chui Man Lung, Everett	–	–	19,215,637	19,215,637	0.13%
Neil Andrew Herrick (re-designed as alternate director with effect from 27 July 2015) ^(Note)	–	–	63,744,889	63,744,889	0.43%
Igor Levental ^(Note)	–	–	19,215,637	19,215,637	0.13%
Li Hok Yin	17,380,622	–	19,215,637	36,596,259	0.25%
Li Kam Chung	–	–	19,215,637	19,215,637	0.13%
Walter Thomas Segsworth	1,000,000	–	19,215,637	20,215,637	0.14%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2015 as defined in Section 352 of the SFO.

Note: Respective New TG Optionholder Agreement and New SA Shareholder Agreements were entered into between the Company, TGL and Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick and Mr. Igor Levental regarding grant of New TG Optionholder Put Options and New SA Put Options on 5 September 2014. The grant of the above put options was approved by the Company's shareholders at the special general meeting dated 21 November 2014. Please refer to circular of the Company dated 4 November 2014 for details.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** (Continued)**(b) Interest in a subsidiary of the Company**

Directors	Name of subsidiary	Number of ordinary shares	Number of underlying shares held under share options	Convertible to the number of ordinary shares of the Company	Percentage of the issued share capital of the Company
Christiaan Rudolph de Wet de Bruin ^(note)	Taung Gold (Pty) Limited	7,562,676	195,161	10,416,368	0.07%
Neil Andrew Herrick ^(note)	Taung Gold (Pty) Limited	4,500	215,000	11,475,239	0.08%
Igor Levental ^(note)	Taung Gold (Pty) Limited	–	85,000	4,536,722	0.03%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2015 as defined in Section 352 of the SFO.

Note: The rights granted to Mr. Christiaan Rduolph de Wet de Bruin, Mr. Neil Andrew and Mr. Igor Levental expired on 7 September 2014 in relation to the rights of put options to acquire shares of the Company. On 5 September 2014, the Company entered into respective agreement with Mr. Christiaan Rduolph de Wet de Bruin, Mr. Neil Andrew and Mr. Igor Levental for granting new put options to acquire shares of the Company at any time before 7 September 2016. On 21 November 2014, the shareholders of the Company passed ordinary resolutions at the special general meeting the above grant of new put options to Mr. Christiaan Rduolph de Wet de Bruin, Mr. Neil Andrew and Mr. Igor Levental.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors of the Company, as at 30 September 2015, the following persons (including Directors or Chief Executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives	Total interest	Percentage of issued ordinary shares as at 30 September 2015
Electrum Strategic Exploration Limited ^(note 1)	2,295,047,831	-	2,295,047,831	15.52%
Mandra Materials Limited ^(note 2)	1,608,854,156	-	1,608,854,156	10.88%
Mandra Esop Limited ^(note 2)	28,218,369	-	28,218,369	0.19%
Woo Foong Hong Limited ^(note 2)	426,530,727	-	426,530,727	2.88%
Gold Commercial Services Limited ("GoldCom") ^(note 3)	1,458,755,084	-	1,458,755,084	9.86%

Notes:

- (1) The entire share capital of Electrum Strategic Exploration Limited is principally owned and controlled by GRAT Holdings LLC. Hence, GRAT Holdings LLC is deemed to be interested in the Shares held by Electrum Strategic Exploration Limited for the purpose of SFO.
- (2) Mandra Materials Limited and Mandra ESOP Limited are wholly-owned by Beansprouts Limited which in turn is owned as to 50% by Zhang Songyi and 50% owned by Mui Bing How. Hence, Zhang Songyi and Mui Bing How are deemed to be interested in the Shares held by Mandra Materials Limited and Mandra ESOP Limited for the purpose of SFO.
- (3) On 8 September 2011, the Company issued 1,130,141,116 shares of the Company to GoldCom for the purpose of acquiring 21,174,316 shares of TGL from South African resident shareholders of TGL (Please refer to the Company's circular dated 2011). On 21 November 2014, the Shareholders passed an special resolution to grant each of the TG Optionholders the right to sell a maximum number of 23,645,210 TG Shares to the Company or GoldCom for a maximum of 1,262,020,649 New Put Option Consideration Share (Please refer to the Company's circular dated 2 November 2014).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Save as disclosed above, as at 30 September 2015, the Directors of the Company were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CORPORATE GOVERNANCE

The Board considers that good corporate governance of the Company can protect and safeguard the interests of the shareholders and to enhance the performance of the Company. The Group currently maintains an adequate and effective internal control system to meet its obligations under the Listing Rules. Saved as disclosed below, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The non-executive director and independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2015. No incidents of non-compliance of the Written Guidelines by Directors and relevant employees were noted. The Company has also established written guidelines on no less exacting terms than the Model Code (the "Written Guidelines") for securities transactions by the relevant employees, including the Directors, who are likely to be in possession of unpublished price-sensitive information of the Company.

The Company continues to comply with the Written Guidelines in compliance with our obligations under the Securities and Futures Ordinance and Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

AUDIT COMMITTEE

The primary duties of the Company's audit committee include review of the effectiveness of the Group's financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties as may be assigned by the Board from time to time.

The Group's condensed consolidated financial statements for the six months ended 30 September 2015 have been reviewed by the audit committee.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of shares or other listed securities of the Company or by any of its subsidiaries during the reporting period.

CHANGE OF DIRECTORS AND COMPANY SECRETARY

On 27 July 2015, Mr. Neil Andrew Herrick ("Mr. Herrick") has resigned as Executive Director of the Company with immediate effect. Meanwhile, Mr. Herrick remains as Chief Executive Officer and a member of the Technical, Safety and Environment Committee of the Company and also as the chief executive officer and executive director of Taung Gold Proprietary Limited. He has been also appointed as an alternate director to Mr. Christiaan Rudolph de Wet de Bruin, an Executive Director of the Company with effect from 27 July 2015. On the same date, Mr. Phen Chun Shing Vincent has been appointed as a Non-executive Director of the Company with immediate effect.

On 30 September 2015, the Company announced that Mr. Tung Yee Shing has tendered his resignation from the office of company secretary of the Company ("Company Secretary") with effect from 30 September 2015, but remains as the Chief Financial Officer of the Company due to internal job reallocation. Ms. Wong Pui Yee has been appointed as the Company Secretary with effect from 1 October 2015.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at www.hkexnews.hk under "Latest Listed Companies Information" and on the website of the Company at www.taunggold.com under "Investors & media". The interim report of the Company containing all the information required by the Listing Rules will be published on the websites in due course.

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

Hong Kong, 27 November 2015