

**TAUNG GOLD** | **TAUNG GOLD INTERNATIONAL LIMITED**  
**壇金礦業有限公司\***

(Incorporated in Bermuda with limited liability)  
Stock Code: 621

**TAUNG  
GOLD**

**INTERIM REPORT 2016**

\*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*)  
(appointed on 21 July 2016)

Ms. Cheung Pak Sum

Mr. Igor Levental

#### Non-Executive Director

Mr. Phen Chun Shing Vincent

#### Independent Non-Executive Directors

Mr. Chui Man Lung, Everett

Mr. Li Kam Chung

Mr. Walter Thomas Segsworth  
(resigned on 21 July 2016)

Mr. Tsui Pang  
(appointed on 21 July 2016)

#### COMPANY SECRETARY

Ms. Wong Pui Yee

#### 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

Estera Services (Bermuda) Limited  
(formerly Appleby Services (Bermuda) Ltd)

#### 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](http://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 2016 were as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September 2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other income	3	<b>21,811</b>	20,081
Other gains and losses	4	<b>89</b>	(147)
Administrative and operating expenses		<b>(22,950)</b>	(31,137)
Fair value change on gross obligation under put options		<b>(25,934)</b>	121,780
Share of results of associates		<b>52</b>	–
(Loss) profit before taxation		<b>(26,932)</b>	110,577
Income tax expense	5	<b>(5,210)</b>	–
(Loss) profit for the period	6	<b>(32,142)</b>	110,577
Other comprehensive income (expense) for the period:			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		<b>60,371</b>	(102,028)
Total comprehensive income for the period		<b>28,229</b>	8,549

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

For the six months ended 30 September 2016

	Note	Six months ended 30 September 2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(34,912)</b>	106,720
Non-controlling interests		<b>2,770</b>	3,857
		<b>(32,142)</b>	110,577
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>8,431</b>	34,445
Non-controlling interests		<b>19,798</b>	(25,896)
		<b>28,229</b>	8,549
<b>(Loss) earnings per share</b>	8		
Basic (HK cents)		<b>(0.25)</b>	0.86
Diluted (HK cents)		<b>(0.25)</b>	0.86

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		2,348	2,662
Exploration assets		4,072,932	4,039,548
Prepayments for acquisition of exploration assets		122,992	122,992
Interests in associates		2,070	2,018
Amount due from an associate		30,751	30,751
Available-for-sale investment		49,716	49,717
Loans to shareholders of a subsidiary		314,461	270,891
Deposits for rehabilitation		714	675
Pledged bank deposits		2,279	2,064
		<b>4,598,263</b>	4,521,318
<b>Current assets</b>			
Other receivables and other deposits		17,617	16,425
Deposits for acquisition of investment		–	30,000
Bank balances and cash		223,738	210,263
		<b>241,355</b>	256,688
<b>Current liabilities</b>			
Other payables and accruals		5,562	9,613
Tax payable		5,512	–
Derivative financial instruments			
– put options	10(b)	–	–
Gross obligation under put options	10(a)	–	93,355
		<b>11,074</b>	102,968
<b>Net current assets</b>		<b>230,281</b>	153,720
<b>Total assets less current liabilities</b>		<b>4,828,544</b>	4,675,038

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

As at 30 September 2016

	Note	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	12	148,746	147,912
Reserves		3,911,585	3,783,437
Equity attributable to owners of the Company			
		4,060,331	3,931,349
Non-controlling interests		768,213	743,689
<b>Total equity</b>		<b>4,828,544</b>	4,675,038

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Contributed Surplus HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2016 (audited)	147,912	5,044,106	(829)	(41,033)	147,828	(420,369)	11,975	(958,241)	3,931,349	743,689	4,675,038
(Loss) profit for the period	-	-	-	-	-	-	-	(34,912)	(34,912)	2,770	(32,142)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	43,343	-	-	43,343	17,028	60,371
Total comprehensive (expense) income for the period	-	-	-	-	-	43,343	-	(34,912)	8,431	19,798	28,229
Change in shareholding in TGL without losing control upon exercise of Taung Gold Limited ("TGL") option	-	-	-	(4,724)	-	-	-	-	(4,724)	4,726	2
Effect of exercise of put options for the potential acquisition of additional interest in a subsidiary	-	-	-	498,397	-	-	-	(386,287)	112,110	-	112,110
Recognition of equity-settled share-based payments	-	-	-	-	-	-	5,987	-	5,987	-	5,987
Issue of new shares upon exercise of options by the option holders of TGL	834	6,344	-	-	-	-	-	-	7,178	-	7,178
At 30 September 2016 (unaudited)	148,746	5,050,450	(829)	452,640	147,828	(377,026)	17,962	(1,379,440)	4,060,331	768,213	4,828,544

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 September 2016

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Contributed Surplus HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	124,429	4,794,395	(829)	(626,167)	147,828	(313,827)	-	(1,379,625)	2,746,204	1,188,996	3,935,200
Profit for the period	-	-	-	-	-	-	-	106,720	106,720	3,857	110,577
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(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	138,189	-	-	-	-	-	-	152,436	-	152,436
Issue of new shares for potential 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 option holders of TGL	6,925	89,114	-	41,014	-	-	-	-	137,053	-	137,053
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	(829)	(512,792)	147,828	(386,102)	17,962	(1,272,905)	3,185,649	1,090,739	4,276,388



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(21,623)</b>	(28,979)
Net cash from (used in) investing activities	<b>28,156</b>	(16,546)
Net cash from financing activities	–	193,451
Net increase cash and cash equivalents	<b>6,533</b>	147,926
Cash and cash equivalents at beginning of the period	<b>210,263</b>	95,611
Effects of exchange rate changes	<b>6,942</b>	(8,608)
Cash and cash equivalents at end of the period	<b>223,738</b>	234,929
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>223,738</b>	234,929

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

## 2. 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.

Starting from the six months ended 30 September 2015, the Group started to engaged in gold exploration and development in Indonesia upon the completion of acquisition of subsidiaries. The Group’s operating and reportable segments under HKFRS 8 are as follows:

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

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

For the six months ended 30 September 2016

### 2. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating and reportable segment:

#### For the six months ended 30 September 2016

	Gold exploration and development in South Africa HK\$'000 (unaudited)	Gold exploration and development in Indonesia HK\$'000 (unaudited)	Trading of minerals HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE				
External sales	-	-	-	-
RESULTS				
Segment loss	(6,926)	(603)	-	(7,529)
Unallocated other income				21,811
Unallocated other gains and losses				89
Unallocated corporate expenses				(15,421)
Share of result of associates				52
Fair value change on gross obligation under put options				(25,934)
Loss before taxation				(26,932)

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

For the six months ended 30 September 2016

### 2. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2015

	Gold exploration and development in South Africa HK\$'000 (unaudited)	Trading of minerals HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<hr/>			
REVENUE			
External sales	–	–	–
<hr/>			
RESULTS			
Segment loss	(6,857)	(2)	(6,859)
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Unallocated other income			20,081
Unallocated other gains and losses			(147)
Unallocated corporate expenses			(24,278)
Fair value change on gross obligation under put options			121,780
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Profit before taxation			110,577
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### 3. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
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Interest income on loan to a shareholder of a subsidiary	18,942	17,487
Interest income on bank deposits	2,869	2,594
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	21,811	20,081
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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2016

### 4. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Gain (losses) on disposal of property, plant and equipment	<b>89</b>	(147)
	<b>89</b>	(147)

### 5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the subsidiary incorporated in Hong Kong have no assessable profits for both periods.

Under South African tax law, the corporate tax rate is 28% for both periods on taxable profits of South African subsidiaries. The income tax expenses of the Group for current interim period represented the corporate tax arising from the South African subsidiaries. No provision for taxation has been made as the subsidiaries in South Africa have no assessable profits for the six months ended 30 September 2015.

Under Indonesian tax law, the corporate tax rate is 25% for the current interim period on taxable profits of Indonesian subsidiary. No provision for taxation has been made as the subsidiary in Indonesia has no assessable profit for the current interim period.

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

For the six months ended 30 September 2016

### 6. (LOSS) PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<hr/>		
(Loss) profit for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	<b>401</b>	471
Operating lease rentals in respect of rented premises	<b>1,211</b>	949
Staff costs (including directors' emoluments)		
Share options expense	<b>5,987</b>	17,962
Salaries and other benefits	<b>16,629</b>	7,783
Contributions to retirement benefits schemes	<b>134</b>	134
Less: Amounts capitalised in exploration assets	<b>(2,960)</b>	(3,412)
	<b>19,790</b>	22,467
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### 7. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

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

For the six months ended 30 September 2016

### 8. (LOSS) EARNINGS PER SHARE

The calculations of basic and diluted (loss) earnings per share for the six months ended 30 September 2016 together with the comparative figures for 2015 are as follows:

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss) profit attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	<b>(34,912)</b>	106,720

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<b>13,759,923</b>	12,431,575

The computation of diluted loss per share for the six months ended 30 September 2016 does not assume the exercise of the Company's share options since it would result in a decrease in loss per share.

The computation of diluted (loss) 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.

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

For the six months ended 30 September 2016

### 9. 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:

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Within one year	<b>2,871</b>	2,323
In the second to fifth year inclusive	<b>13</b>	418
	<b>2,884</b>	2,741

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

### 10. GROSS OBLIGATION UNDER PUT OPTIONS AND 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 TGL option holders ("TG Optionholders"). Details of the put options are set out in note 10(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 fair value through profit or loss at initial recognition and stated at fair value. As at 31 March 2016, the fair value of the gross obligation under put options with reference to the Company's share price of HK\$0.080 per share was HK\$93,355,000. As at 30 September 2016, there is no fair value for the gross obligation under put options as the underlying put option agreements (details at out in note 10(b)(i)) and put options (details at out in note 10(b)(ii)) have been expired on 7 September 2016. During the six months ended 30 September 2016, net increase in fair value of HK\$25,934,000 was recognised in profit or loss. The Company's share price as at 31 March 2016 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 2016

### 10. 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 10(b), 1,186,968 and 376,804 put options granted to TG Optionholders on 5 September 2014 were exercised on 24 May 2016 and 20 July 2016, 83,463,524 Company's shares were issued upon the exercise of these put options, fair value on gross obligation under put options of HK\$4,625,000 and HK\$2,554,000 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\$0.073 and HK\$0.127 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, Gold Commercial Services Limited ("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 2016

### 10. 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, 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.

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.

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

For the six months ended 30 September 2016

### 10. 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)*

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.

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.

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

For the six months ended 30 September 2016

### 10. 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)*

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 2016, 20,299,911 put options were exercised by the South African Shareholders.

The New Put Options Agreements expired on 7 September 2016.

##### *(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.

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

For the six months ended 30 September 2016

### 10. 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)*

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 2016

### **10. 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.

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

For the six months ended 30 September 2016

### **10. 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)*

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.

The New Optionholder Agreements expired on 7 September 2016.

#### **(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.

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

For the six months ended 30 September 2016

### **10. 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)*

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.

As at 31 March 2016, 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 2016, no call options were exercised by the Company.



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

For the six months ended 30 September 2016

### 10. 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*

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.

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.

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

For the six months ended 30 September 2016

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

As at 30 September 2016, 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 2016, no call options were exercised by the Company.

The call options expired on 7 September 2016.

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.

### 11. CAPITAL COMMITMENTS

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Capital commitment to gold projects contracted for but not provided in the unaudited condensed consolidated financial statements:		
– Property, plant and equipment and exploration assets	–	1,429
	–	1,429

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

For the six months ended 30 September 2016

### 12. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	<b>30,000,000,000</b>	300,000
Issue and fully paid:		
At 1 April 2016 (audited)	<b>14,791,170,169</b>	147,912
Issue of shares under New TG Optionholder Agreement <i>(Note)</i>	<b>83,463,524</b>	834
At 30 September 2016 (unaudited)	<b>14,874,633,693</b>	148,746

*Note:* 83,463,524 ordinary shares of the Company were issued during six months ended 30 September 2016 to TG Optionholders in exchange of 1,563,772 TGL shares upon exercise of relevant put options. Details of put options exercised are set out in note 10(b).

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

### 13. EVENT AFTER THE END OF THE REPORTING PERIOD

On 9 November 2016, a placing agent and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, aggregate maximum of 2,974,920,000 placing shares ("Placing Shares") to not fewer than six placees who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons. The conditions set out in the conditional placing agreement have been fulfilled and the placing was completed on 21 November 2016. An aggregate of 2,974,920,000 Placing Shares, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares as at 21 November 2016, have been successfully placed to not fewer than six placees at the placing price of HK\$0.0883 per Placing Share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in 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 loss attributable to owners of approximately HK\$34,912,000 or a loss of HK\$0.25 cents per share (basic), compared with a net profit attributable to owners of the Company for the period ending 30 September 2015 of approximately HK\$106,720,000 or earning of HK\$0.86 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 2016 (2015: Nil).

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group's had no outstanding bank borrowings (31 March 2016: Nil) and no banking facilities (31 March 2016: Nil).

The Group's gearing ratio as at 30 September 2016 was zero (31 March 2016: zero), calculated based on the Group's total zero borrowings (31 March 2016: zero) over the Group's total assets of approximately HK\$4,839,618,000 (31 March 2016: HK\$4,778,006,000).

As at 30 September 2016, the balances of cash and cash equivalents of the Group were approximately HK\$223,738,000 (31 March 2016: HK\$210,263,000) 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 2016, the Group operated mainly in Indonesia and 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.

## 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 ZAR6.56m was spent on the Evander Project.

The Company published a maiden Probable Mineral Reserve and an updated Total Mineral Resource for the Evander Project on 16 May 2016. The Probable Mineral Reserve for the Evander project is 4.29 million ounces of gold from 19.64 million tonnes of ore at a head grade of 6.80g/t.

The following table shows the Total Mineral Resource for the Evander Project (comprising both the Six Shaft and Twistdraai areas) stated at 7.59 million ounces gold at a mining grade of 8.05g/t using a 500cmg/t cut-off grade as at resource declaration on 5 February 2016. The Measured and Indicated Resource makes up 71% of the Total Mineral Resource for the project.

MINERAL RESOURCE CLASSIFICATION	Mining Tonnes (Mt)	Mining Width (cm)	Mining Grade (g/t)	Mining Grade (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (t)	Gold (MOz)
Total Project Mineral Resources at 500cmg/t Cut-off Grade								
Measured	0.11	119	10.18	1,211	82	14.80	1.09	0.04
Indicated	19.75	112	8.47	948	74	12.76	167.18	5.37
Inferred	9.51	111	7.12	796	64	12.43	67.77	2.18
<b>Total Measured and Indicated</b>	<b>19.85</b>	<b>112</b>	<b>8.47</b>	<b>949</b>	<b>74</b>	<b>12.78</b>	<b>168.27</b>	<b>5.41</b>
<b>TOTAL MINERAL RESOURCES <sup>(Note)</sup></b>	<b>29.37</b>	<b>112</b>	<b>8.05</b>	<b>900</b>	<b>71</b>	<b>12.68</b>	<b>236.04</b>	<b>7.59</b>

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### REVIEW OF BUSINESS OPERATIONS *(Continued)*

#### The Evander Project *(Continued)*

Note:–

The information in this report 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 report 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 2016:

Consultants & Service providers	ZAR2.40m
Staffing	ZAR2.14m
Overheads	ZAR2.02m
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Total	ZAR6.56m
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#### 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”), a wholly-owned subsidiary of TGL submitted an application for a mining right (the “Jeanette Mining Right”) over the area, having previously submitted an application to consolidate various 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 the administrative engagement with the DMR in respect of the Environmental Authorisation (“EA”), Mining Works Program (“MWP”) and Social & Labour Plan (“SLP”) which form part of the Mining Right is ongoing. It is anticipated that the execution and registration of the Jeanette Mining Right in the name of TGFS will take place during the first half of 2017. As the holder of the various Prospecting Rights that make up the Jeanette Project, TGFS had an exclusive right to apply for the Jeanette a Mining Right over the Jeanette project area. During the period under review ZAR4.87m was spent on the Jeanette Project.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### REVIEW OF BUSINESS OPERATIONS *(Continued)*

#### The Jeanette Project *(Continued)*

The Company published a maiden Probable Mineral Reserve and an update of the Total Mineral Resource on 23 May 2016. The Probable Mineral Reserve is 7.12 million ounces of gold from 19.21 million tonnes of ore at a head grade of 11.52g/t. The Total Mineral Resource is 15.26 million ounces of gold from 46.51 million tonnes at a mean grade of 5.57g/t for both Basal Reef and A-Reef. The Basal Reef Mineral Resource is 10.55 million ounces of gold from 16.43 million tonnes at mean grade of 19.99g/t. The cut-off grades used for Basal Reef and A-Reef were 341cmg/t and 374cmg/t respectively as at 29 February 2016. The Indicated Resource on the Basal Reef makes up 89% of the total Basal Reef Mineral Resource and 62% of the Total Mineral Resource.

MINERAL RESOURCE CLASSIFICATION	In-situ Tonnes (Mt)	Evaluation Width (cm)	Grade above cut-off (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (t)	Gold (MOZ)
Total Project Mineral Resources at 341cmg/t Cut-off Grade for Basal Reef and 374cmg/t for the A-Reef							
Indicated (Black Chert Facies)	13.10	100	852	38	22.41	293.60	9.44
Inferred (Black Chert Facies)	0.84	100	670	38	17.63	14.81	0.48
Inferred (Overlap Facies)	2.49	100	506	63	8.03	19.99	0.64
Inferred (A-Reef)	30.08	113	585	114	4.86	146.17	4.70
<b>Total Indicated</b>	13.10	100	852	38	22.41	293.60	9.44
<b>Total Inferred</b>	33.41	112	553	108	5.42	180.97	5.81
<b>TOTAL MINERAL RESOURCES <sup>(Note)</sup></b>	46.51	109	896	92	10.20	474.57	15.26

Note:–

The information in this report 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 report 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 2016:

Consultants & Service providers	ZAR2.93m
Staffing	ZAR1.55m
Overheads	ZAR0.39m
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Total	ZAR4.87m
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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. 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 was completed to determine gold grades and prepare samples for the Metallurgical Testing. The prepared samples were transported to SGS South Africa (Pty) Limited, in Johannesburg, where the Metallurgical Testing is being 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 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

#### **The Evander Project**

The external review of the Evander Project Bankable Feasibility Study (“BFS”) was completed and the results of the BFS were announced on 16 May 2016. The external review was 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 continues to engage with MCCI towards the same objective and further announcements will be made in this regard in due course.

The Environmental Impact Assessment (“EIA”) for the Evander Project is ongoing and is expected to be completed by the end of June 2017. Completion of the EIA will also result in the submission of an application for an integrated WUL for the project. Together with the EIA, an amended SLP and MWP will also form the basis of an application under Section 102 of the MPRDA to amend the Mining Right accordingly. An EA for the dewatering phase of the project has been approved and an application for a WUL for the dewatering phase of the project had been submitted to the relevant authorities on 19 September 2016.

#### **The Jeanette Project**

The internal review of the Jeanette Project Pre-Feasibility Study (“PFS”) is being completed and the results of the PFS will be announced before the end of 2016. The commencement date of the BFS for the project will be determined once the Mining Right for the project has been granted.

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 was completed early in January 2016. The final EIA was submitted to the DMR on 7 June 2016.
- The SLP consultation process has been completed and the SLP document was submitted to the DMR and the implementation commenced during June 2016.
- The MWP has been submitted to the DMR and discussions with the DMR are continuing.

## **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 2016, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 46 (2015: 45). 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.

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 2016 are as follows:

	As at 1 April 2015	Number of Share Options		As at 30 September 2016	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				
Neil Andrew Herrick (appointed as Executive Director with effect from 21 July 2016)	-	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 (resigned as Independent Non-executive Director with effect from 21 July 2016)	-	19,215,637	(19,215,637)	0				
Consultant	-	44,252,463	-	44,252,463				
Continuous contact employee	-	74,753,570	-	74,753,570				
<b>Total</b>	<b>-</b>	<b>272,731,129</b>	<b>(19,215,637)</b>	<b>253,515,492</b>				

As at 30 September 2016, there were Share Options relating to 253,515,492 Shares granted by the Company representing 1.42% 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**

During 2010, Taung Gold (Proprietary) Limited ("TGL"), a non-wholly owned subsidiary of the Company, (prior to the completion date of the acquisition thereof in 2011), approved an option scheme to enable employees to acquire shares in TGL to provide them with an incentives to advance TGL's interests, 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. The option issued the option scheme either exercised or expired during the previous financial year.

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, including up to 229,461,591 shares of the Company to 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 TGL Optionholders and South African Shareholders pursuant to the new agreements entered into with the Company and relevant parties on 5 September 2014. Details of granting the above put options to TGL Optionholders and those to 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. All the new put options granted to the TGL Optionholders and South African Shareholders were either exercised, or expired and no put options were outstanding as at 30 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

At 30 September 2016, 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 <sup>(Note)</sup>	–	–	440,220,539	440,220,539	2.47%
Cheung Pak Sum	–	–	19,215,637	19,215,637	0.11%
Chui Man Lung, Everett	–	–	19,215,637	19,215,637	0.11%
Neil Andrew Herrick (appointed as Executive Director with effect from 21 July 2016) <sup>(Note)</sup>	–	–	62,343,086	62,343,086	0.35%
Igor Levental <sup>(Note)</sup>	–	–	19,215,637	19,215,637	0.11%
Phen Chun Shing	–	–	–	–	0%
Li Hok Yin	17,380,622	–	19,215,637	36,596,259	0.21%
Li Kam Chung	–	–	19,215,637	19,215,637	0.11%
Tsui Pang	–	–	–	–	0%
Walter Thomas Segsworth (resigned as Independent Non-executive director with effect from 21 July 2016)	1,000,000	–	–	1,000,000	0.01%

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 2016 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. de Bruin"), Mr. Neil Andrew Herrick ("Mr. Herrick") and Mr. Igor Levental ("Mr. Levental") regarding grant of New TG Optionholder Put Options ("TG 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.

As at 30 September 2016, 1,046,160, 455,000 and 1,324,856 TG Put Options were exercised by Mr. de Bruin, Mr. Herrick and Mr. Levental respectively.

**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**

<b>Directors</b>	<b>Name of subsidiary</b>	<b>Number of ordinary shares</b>	<b>Number of underlying shares held under share options</b>	<b>Convertible to the number of ordinary shares of the Company</b>	<b>Percentage of the issued share capital of the Company</b>
Christiaan Rudolph de Wet de Bruin <sup>(note)</sup>	Taung Gold (Pty) Limited	–	–	–	0%
Neil Andrew Herrick <sup>(note)</sup>	Taung Gold (Pty) Limited	–	–	–	0%
Igor Levental <sup>(note)</sup>	Taung Gold (Pty) Limited	–	–	–	0%

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 2016 as defined in Section 352 of the SFO.

Note: The rights granted to Mr. de Bruin, Mr. Herrick and Mr. 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. de Bruin, Mr. Herrick and Mr. 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. de Bruin, Mr. Herrick and Mr. Levental.

All new put options had either exercised or expired on 7 September 2016.

**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

So far as is known to the Directors of the Company, as at 30 September 2016, the following persons 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 <sup>(note 1)</sup>	2,295,047,831	–	2,295,047,831	12.86%
Mandra Materials Limited <sup>(note 2)</sup>	1,608,854,156	–	1,608,854,156	9.01%
Mandra Esop Limited <sup>(note 2)</sup>	28,218,369	–	28,218,369	0.16%
Woo Foong Hong Limited <sup>(note 2)</sup>	426,530,727	–	426,530,727	2.39%
Gold Commercial Services Limited ("GoldCom") <sup>(note 3)</sup>	1,441,073,509	–	1,441,073,509	8.07%

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 new shares of the Company to Gold Commercial Services Limited ("GoldCom") for granting the put options to South African resident shareholders of TGL in relation to the sale to the Company through GoldCom of 21,174,316 shares of TGL. As at the date of this report, the Company has, pursuant to the New TG Optionholders Put Option Agreement dated 5 September 2014, subsequently issued 775,997,492 new Shares to GoldCom upon TGL shareholder exercised 14,539,084 New TG Optionholders Put Options in relation to sale of 14,539,084 TG Shares to the Company through GoldCom (as defined under the Company's circular dated 4 November 2014). The New TG Optionholder Put Option Agreement expired on 7 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS** *(Continued)*

Save as disclosed above, as at 30 September 2016, 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 2016. 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 2016 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**

Mr. Walter Thomas Segsworth resigned as Independent Non-executive Director of the Company on 21 July 2016. On the same date, Mr. Tsui Pang was appointed as Independent Non-executive Director of the Company and Mr. Neil Andrew Herick was appointed as Executive Director of the Company with immediate effect.

### **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement and the interim report are available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Companies Information" and on the website of the Company at [www.taunggold.com](http://www.taunggold.com) under "Investors & media".

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

Hong Kong, 28 November 2016