

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

(Incorporated in Bermuda with limited liability)

Stock Code: 621

INTERIM REPORT  
2018



\* For identification purpose only

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

Ms. Cheung Pak Sum (*Co-chairman*)

Mr. Neil Andrew Herrick  
(*Chief Executive Officer*)

Mr. Phen Chun Shing Vincent

Mr. Li Hok Yin  
(resigned on 18 September 2018)

### Independent Non-Executive Directors

Mr. Li Kam Chung

Mr. Tsui Pang

Mr. Chong Man Hung Jeffrey

## COMPANY SECRETARY

Mr. Tung Yee Shing

## AUTHORISED REPRESENTATIVES

Mr. Tung Yee Shing

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

## 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 2018 were as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

|  | Notes | Six months ended<br>30 September<br>2018<br>HK\$'000<br>(unaudited) | 2017<br>HK\$'000<br>(unaudited) |
|--|-------|---|---------------------------------|
| Other income   | 3     | 9,490   | 21,948                          |
| Other gains and losses   | 4     | (327)   | (191)                           |
| Administrative and operating expenses                            |       | (22,454)  | (40,197)                        |
| Loss on relinquishment of<br>a mining licence                    |       | –   | (30,333)                        |
| Share of results of associates                                   |       | (1)   | (5)                             |
| Loss before taxation   |       | (13,292)  | (48,778)                        |
| Income tax expense   | 5     | –   | –                               |
| Loss for the period  | 6     | (13,292)  | (48,778)                        |
| Other comprehensive (expense) income<br>for the period:          |       |   |                                 |
| Item that may be subsequently<br>reclassified to profit or loss: |       |   |                                 |
| Exchange difference on translation<br>of foreign operations      |       | (124,216)   | 6,969                           |
| Total comprehensive expense<br>for the period                    |       | (137,508)   | (41,809)                        |

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

For the six months ended 30 September 2018

|   | Note | Six months ended<br>30 September<br>2018<br>HK\$'000<br>(unaudited) | 2017<br>HK\$'000<br>(unaudited) |
|---|------|---|---------------------------------|
| Loss for the period attributable to:            |      |   |                                 |
| Owners of the Company                           |      | (13,375)  | (45,949)                        |
| Non-controlling interests                       |      | 83  | (2,829)                         |
|   |      | (13,292)  | (48,778)                        |
| Total comprehensive expense<br>attributable to: |      |   |                                 |
| Owners of the Company                           |      | (111,006)   | (40,467)                        |
| Non-controlling interests                       |      | (26,502)  | (1,342)                         |
|   |      | (137,508)   | (41,809)                        |
| <b>Loss per share</b>                           | 8    |   |                                 |
| Basic (HK cents)                                |      | (0.07)  | (0.25)                          |
| Diluted (HK cents)                              |      | (0.07)  | (0.25)                          |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

| Note  | <b>30 September<br/>2018<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2018<br>HK\$'000<br>(audited) |
|---|---|---|
| <b>Non-current assets</b>                     |   |   |
| Property, plant and equipment                 | 2,963   | 3,588                                     |
| Exploration assets                            | 4,497,654   | 4,571,246                                 |
| Interests in associates                       | 648   | 648                                       |
| Loans to shareholders of a subsidiary         | 81,278  | 121,539                                   |
| Deposits for acquisition of investments       | 60,000  | 60,000                                    |
| Pledged bank deposits                         | 695   | 3,334                                     |
|   | <b>4,643,238</b>  | 4,760,355                                 |
| <b>Current assets</b>                         |   |   |
| Other receivables, prepayment<br>and deposits | 6,408   | 13,218                                    |
| Restricted bank deposits                      | 120,235   | 120,235                                   |
| Bank balances and cash                        | 138,471   | 162,906                                   |
|   | <b>265,114</b>  | 296,359                                   |
| <b>Current liabilities</b>                    |   |   |
| Other payables and accruals                   | 4,500   | 12,778                                    |
| <b>Net current assets</b>                     | <b>260,614</b>  | 283,581                                   |
| <b>Total assets less current liabilities</b>  | <b>4,903,852</b>  | 5,043,936                                 |
| <b>Non-current liabilities</b>                |   |   |
| Provision of rehabilitation costs             | 12,907  | 15,483                                    |
| <b>Net assets</b>                             | <b>4,890,945</b>  | 5,028,453                                 |

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

As at 30 September 2018

|   | Note | 30 September<br>2018<br>HK\$'000<br>(unaudited) | 31 March<br>2018<br>HK\$'000<br>(audited) |
|---|------|---|---|
| <b>Capital and reserves</b>                     |      |   |   |
| Share capital                                   | 10   | 181,515   | 181,515                                   |
| Reserves  |      | 3,729,464                                       | 3,840,471                                 |
| <hr/>   |      |   |   |
| Equity attributable to owners of<br>the Company |      | 3,910,979                                       | 4,021,986                                 |
| Non-controlling interests                       |      | 979,966   | 1,006,467                                 |
| <hr/>   |      |   |   |
| <b>Total equity</b>                             |      | <b>4,890,945</b>                                | 5,028,453                                 |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

|  | Attributable to owners of the Company |                           |                             |                            |                                 |  |                                  |                              |                   |                                       |                          |
|--|---------------------------------------|---------------------------|-----------------------------|----------------------------|---------------------------------|--|----------------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Other reserves<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Accumulated loss<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 April 2018 (audited)  | 181,515                               | 5,307,443                 | (829)                       | (74,746)                   | 147,828                         | (303,278)  | 14,039                           | (1,249,986)                  | 4,021,986         | 1,006,467                             | 5,028,453                |
| Loss for the period  | -                                     | -                         | -                           | -                          | -                               | -  | -                                | (13,375)                     | (13,375)          | 83                                    | (13,292)                 |
| Forfeiture of share options                                      | -                                     | -                         | -                           | -                          | -                               | -  | (12,655)                         | 12,655                       | -                 | -                                     | -                        |
| Exchange difference arising to translation of foreign operations | -                                     | -                         | -                           | -                          | -                               | (97,631)   | -                                | -                            | (97,631)          | (26,585)                              | (124,216)                |
| Total comprehensive expense for the period                       | -                                     | -                         | -                           | -                          | -                               | (97,631)   | (12,655)                         | (720)                        | (111,006)         | (26,502)                              | (137,508)                |
| At 30 September 2018 (unaudited)                                 | 181,515                               | 5,307,443                 | (829)                       | (74,746)                   | 147,828                         | (400,909)  | 1,384                            | (1,250,707)                  | 3,910,979         | 979,966                               | 4,890,945                |

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

For the six months ended 30 September 2018

|  | Attributable to owners of the Company |                           |                             |                            |                                 |  |                                  |                              |                   |                                       |                          |
|--|---------------------------------------|---------------------------|-----------------------------|----------------------------|---------------------------------|--|----------------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Other reserves<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Accumulated loss<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 April 2017 (audited)  | 181,515                               | 5,307,443                 | (829)                       | 458,980                    | 147,828                         | (366,352)  | 16,654                           | (863,554)                    | 4,881,685         | 480,964                               | 5,362,649                |
| (Loss) profit for the period                                     | -                                     | -                         | -                           | -                          | -                               | -  | -                                | (45,949)                     | (45,949)          | (2,829)                               | (48,778)                 |
| Exchange difference arising on translation of foreign operations | -                                     | -                         | -                           | -                          | -                               | 5,482  | -                                | -                            | 5,482             | 1,487                                 | 6,969                    |
| Total comprehensive (expense) income for the period              | -                                     | -                         | -                           | -                          | -                               | 5,482  | -                                | (45,949)                     | (40,466)          | (1,342)                               | (41,808)                 |
| At 30 September 2017 (unaudited)                                 | 181,515                               | 5,307,443                 | (829)                       | 458,980                    | 147,828                         | (360,870)  | 16,654                           | 909,503                      | 4,841,219         | 479,622                               | 5,320,840                |



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30 September</b>     |             |
|   | <b>2018</b>             | 2017        |
|   | <b>HK\$'000</b>         | HK\$'000    |
|   | <b>(unaudited)</b>      | (unaudited) |
| Net cash used in operating activities   | <b>(17,943)</b>         | (73,325)    |
| Net cash used in investing activities   | <b>(5,717)</b>          | (278,394)   |
| Net cash used in financing activities   | <b>(3)</b>              | –           |
| Net decrease cash and cash equivalents  | <b>(23,663)</b>         | (351,719)   |
| Effect of foreign exchange rate changes   | <b>(772)</b>            | 1,676       |
| Cash and cash equivalents at beginning of the period                                  | <b>162,906</b>          | 383,894     |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | <b>138,471</b>          | 33,851      |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 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. 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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, new amendments and interpretations to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the annual period beginning 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements.

In the opinion of the directors of the Company, application of the new amendments and interpretations to HKFRSs issued by the HKICPA has had no material effect on the amounts reported and/or disclosures for the preparation of the Group’s 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.

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 2018

## 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 2018

|                                      | Gold<br>exploration and<br>development<br>in South Africa<br>HK\$'000<br>(unaudited) | Gold<br>exploration and<br>development<br>in Indonesia<br>HK\$'000<br>(unaudited) | Trading of<br>minerals<br>HK\$'000<br>(unaudited) | Total<br>HK\$'000<br>(unaudited) |
|--------------------------------------|--|---|---|----------------------------------|
| REVENUE                              |  |   |   |                                  |
| External sales                       | -  | -   | -   | -                                |
| RESULTS                              |  |   |   |                                  |
| Segment loss                         | 499  | -   | -   | 499                              |
| Unallocated other income             |  |   |   | 9,490                            |
| Unallocated other gain<br>and losses |  |   |   | (327)                            |
| Unallocated corporate<br>expenses    |  |   |   | (22,953)                         |
| Share of result of associates        |  |   |   | (1)                              |
| Loss before taxation                 |  |   |   | (13,292)                         |

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

For the six months ended 30 September 2018

## 2. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2017

|                                       | Gold<br>exploration and<br>development<br>in South Africa<br>HK\$'000<br>(unaudited) | Gold<br>exploration and<br>development<br>in Indonesia<br>HK\$'000<br>(unaudited) | Trading of<br>minerals<br>HK\$'000<br>(unaudited) | Total<br>HK\$'000<br>(unaudited) |
|---------------------------------------|--|---|---|----------------------------------|
| <b>REVENUE</b>                        |  |   |   |                                  |
| External sales                        | -  | -   | -   | -                                |
| <b>RESULTS</b>                        |  |   |   |                                  |
| Segment loss                          | (5,843)  | (31,784)  | -   | (37,627)                         |
| Unallocated other income              |  |   |   | 21,948                           |
| Unallocated other gains<br>and losses |  |   |   | (191)                            |
| Unallocated corporate<br>expenses     |  |   |   | (32,903)                         |
| Share of result of associates         |  |   |   | (5)                              |
| Loss before taxation                  |  |   |   | (48,778)                         |

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

For the six months ended 30 September 2018

## 3. OTHER INCOME

|   | <b>Six months ended<br/>30 September<br/>2018</b> | 2017        |
|---|---|-------------|
|   | <b>HK\$'000</b>                                   | HK\$'000    |
|   | <b>(unaudited)</b>                                | (unaudited) |
| Interest income on loan to shareholders of a subsidiary | <b>8,903</b>                                      | 20,665      |
| Interest income on bank deposits                        | <b>587</b>  | 1,283       |
|   | <b>9,490</b>                                      | 21,948      |

## 4. OTHER GAINS AND LOSSES

|   | <b>Six months ended<br/>30 September<br/>2018</b> | 2017        |
|---|---|-------------|
|   | <b>HK\$'000</b>                                   | HK\$'000    |
|   | <b>(unaudited)</b>                                | (unaudited) |
| Foreign exchange loss                             | <b>(318)</b>                                      | –           |
| Others  | <b>(9)</b>  | –           |
| Loss on disposal of property, plant and equipment | <b>–</b>  | (191)       |
|   | <b>(327)</b>                                      | (191)       |

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

For the six months ended 30 September 2018

## 5. INCOME TAX EXPENSE

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

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

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

## 6. LOSS FOR THE PERIOD

|   | <b>Six months ended<br/>30 September<br/>2018<br/>HK\$'000<br/>(unaudited)</b> | 2017<br>HK\$'000<br>(unaudited) |
|---|--|---------------------------------|
| Loss for the period has been arrived at after charging: |  |                                 |
| Depreciation for property, plant and equipment          | <b>504</b>   | 339                             |
| Operating lease rentals in respect of rented premises   | <b>1,059</b>   | 1,090                           |
| Staff costs (including directors' emoluments)           |  |                                 |
| Salaries and other benefits                             | <b>10,011</b>  | 14,970                          |
| Contributions to retirement benefits schemes            | <b>170</b>   | 143                             |
| Less: Amounts capitalised in exploration assets         | <b>(3,431)</b>   | (3,670)                         |
|   | <b>6,750</b>   | 11,443                          |

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

For the six months ended 30 September 2018

## 7. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

## 8. LOSS PER SHARE

The calculations of basic and diluted loss per share for the six months ended 30 September 2018 together with the comparative figures for 2017 are as follows:

|  | <b>Six months ended<br/>30 September</b> |             |
|--|--|-------------|
|  | <b>2018</b>                              | 2017        |
|  | <b>HK\$'000</b>                          | HK\$'000    |
|  | <b>(unaudited)</b>                       | (unaudited) |
| Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share | <b>(13,375)</b>                          | (45,949)    |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | <b>18,151,472</b>                        | 18,151,472  |

The computation of diluted loss per share for both periods did not assume the exercise of the Company's share options since it would result in a decrease in loss per share.

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

For the six months ended 30 September 2018

## 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<br/>2018<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2018<br>HK\$'000<br>(audited) |
|---------------------------------------|---|---|
| Within one year                       | <b>2,117</b>  | 2,183                                     |
| In the second to fifth year inclusive | <b>1,217</b>  | 1,236                                     |
|                                       | <b>3,334</b>  | 3,419                                     |

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. SHARE CAPITAL

|  | <b>Number of<br/>shares</b> | <b>Share<br/>capital<br/>HK\$'000</b> |
|--|-----------------------------|---------------------------------------|
| Ordinary shares of HK\$0.01 each       |                             |                                       |
| Authorised:                            |                             |                                       |
| At 31 March 2018 and 30 September 2018 | 30,000,000,000              | 300,000                               |
| Issue and fully paid:                  |                             |                                       |
| At 31 March 2018 (audited)             | 18,151,471,981              | 181,515                               |
| At 30 September 2018 (unaudited)       | 18,151,471,981              | 181,515                               |

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 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\$13,375,000 or a loss of HK0.07 cents per share (basic), compared with a net loss attributable to owners of the Company for the period ending 30 September 2017 of approximately HK\$45,949,000 or loss of HK0.25 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 2018 (2017: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group’s had no outstanding bank borrowings (31 March 2018: Nil) and no banking facilities (31 March 2018: Nil).

The Group’s gearing ratio as at 30 September 2018 was zero (31 March 2018: zero), calculated based on the Group’s total zero borrowings (31 March 2018: zero) over the Group’s total assets of approximately HK\$4,908,352,000 (31 March 2018: HK\$5,056,714,000).

As at 30 September 2018, the balances of cash and cash equivalents of the Group were approximately HK\$138,471,000 (31 March 2018: HK\$162,906,000) 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 2018, the Group operated mainly in 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 arise.

# 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 permitting and the study work for the Evander and Jeanette projects. The Company has not conducted any mining or production activities during the period under review.

### The Evander Project

The Evander Project is located in the Evander Goldfield on the northeastern limb of the Witwatersrand Basin and is close to the town of Secunda in South Africa's Mpumalanga, Province. Taung Gold Secunda (Pty) Limited ("TGS"), a wholly owned subsidiary of Taung Gold (Pty) Limited ("TGL"), is the registered holder of mining right (the "Evander Mining Right"), in terms of the Minerals and Petroleum Resources Development Act ("MPRDA"), for the Evander Project. During the period under review ZAR5.53m 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<br>Tonnes<br>(Mt) | Mining<br>Width<br>(cm) | Mining<br>Grade<br>(g/t) | Mining<br>Grade<br>(cmg/t) | Channel<br>Width<br>(cm) | Channel<br>Grade<br>(g/t) | Gold<br>(t)   | Gold<br>(MOz) |
|--|--------------------------|-------------------------|--------------------------|----------------------------|--------------------------|---------------------------|---------------|---------------|
| Total Project Mineral Resources<br>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 2018:

|                                 |          |
|---------------------------------|----------|
| Consultants & Service providers | ZAR0.39m |
| Staffing                        | ZAR3.10m |
| Overheads                       | ZAR2.04m |
| <hr/>                           |          |
| Total                           | ZAR5.53m |
| <hr/>                           |          |

### The Jeanette Project

The Jeanette Project is located in the northern region of the Free State goldfield close to the town of Allanridge and Nyakallong, within the southwest limb of the Witwatersand Basin in South Africa's Free State Province.

Taung Gold Free State (Pty) Limited ("TGFS"), a wholly owned subsidiary of TGL, is the registered holder of the mining right (the "Jeanette Mining Right") in terms of the Minerals and Petroleum Resources Development Act ("MPRDA") for the Jeanette Project. During the period under review ZAR4.16m 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<br>Tonnes<br>(Mt) | Evaluation<br>Width<br>(cm) | Grade<br>above<br>cut-off<br>(cmg/t) | Channel<br>Width<br>(cm) | Channel<br>Grade<br>(g/t) | Gold<br>(t)   | Gold<br>(MOz) |
|---|---------------------------|-----------------------------|--------------------------------------|--------------------------|---------------------------|---------------|---------------|
| Total Project Mineral Resources at 341cmg/t Cut-off Grade<br>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>  | <b>13.10</b>              | <b>100</b>                  | <b>852</b>                           | <b>38</b>                | <b>22.41</b>              | <b>293.60</b> | <b>9.44</b>   |
| <b>Total Inferred</b>   | <b>33.41</b>              | <b>112</b>                  | <b>553</b>                           | <b>108</b>               | <b>5.42</b>               | <b>180.97</b> | <b>5.81</b>   |
| <b>TOTAL MINERAL RESOURCES <sup>(Note)</sup></b>  | <b>46.51</b>              | <b>109</b>                  | <b>896</b>                           | <b>92</b>                | <b>10.20</b>              | <b>474.57</b> | <b>15.26</b>  |

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 2018:

|                                 |          |
|---------------------------------|----------|
| Consultants & Service providers | ZAR1.01m |
| Staffing                        | ZAR1.90m |
| Overheads                       | ZAR1.25m |
| <hr/>                           |          |
| Total                           | ZAR4.16m |

### Minex and the Indonesian Assets (the “Minex Project”)

During 2017, the Board made the decision to downsize its Indonesian operations and in the previous interim report had disclosed that the licence held by PT BTPR had been relinquished and that termination letter had been issued by Governor of Sulawesi Utara on 2 October 2017. On 19 June 2018, the Company further announced that the corresponding letters for PT BBP and PT KEP had been received on 6 June 2018. As such, the whole carrying amount of the Indonesia assets was recognised as an impairment in the financial statements for the year ended 31 March 2018 in the Company’s 2018 annual report.

## FUTURE PLANS FOR THE EVANDER PROJECT, JEANETTE PROJECT

### The Evander Project

#### Contract for the Construction of the Evander Project

During the period under review the Company continues to engage with MCCI towards the finalization of a contract for the construction of the Evander Project. The broad principles have been agreed with MCCI and a binding term sheet was tabled in December 2016. Since the drafting of the binding term sheet, the Company and MCCI have been reviewing the proposed plan of work, and agreed that the work package involving shaft-sinking would be tendered to suitable South-African shaft-sinking contracting companies.

Since the publication of 2018 Annual Report, the discussion between the Company and MCCI continued. MCCI visited the Company in South Africa in July 2018 and this was followed up by a visit to MCCI in Beijing by senior representatives of the Company in September 2018. In addition, there have been frequent conference calls between the parties and exchanges of information, largely of a complex technical nature. The CEO, an Executive Director of the Company from Hong Kong and the Company’s head of mining and projects was in Beijing again on 18 December 2018 for a further round of negotiations.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

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

#### **Contract for the Construction of the Evander Project** *(Continued)*

The discussion and negotiation with MCCI will continue and it is expected that the work scope and work plan of MCCI, together with the final binding term sheet will be finalized early 2019. Once the commercial agreement is reached between the Company and MCCI, the management expects the tendering for South-African shaft-sinking contracting companies (please see the next section for further information) will be initiated by February 2019 and completed by the third quarter of 2019. The Company expects the final substantive contract for the construction of the Evander contract will be finalized within six months of the shaft-sinking tender process being completed.

As the Company continues to move the Evander project forward as above, further announcements will be made in this regard in due course.

#### **Tendering for a South-African shaft-sinking contractor**

It was the Company's intention, subject to finalisation of commercial arrangements, to appoint MCCI as the Manager for the construction of the Evander Project and the parties have been discussing the best approach in respect of the allocation of the various work packages as defined in the Employer Requirements Document for the Project. The shaft sinking is a critical path work package, accounting for more than half of the contract value. It is therefore of vital importance for the successful implementation of the project.

During the course of negotiations over a period of many months, MCCI indicated in a discussion in July 2018 that it might be more beneficial to both parties if a South-African shaft-sinking contractor is employed. This was for a number of reasons but primarily because MCCI has never previously sunk a shaft to this depth before. The initial plan was to utilise employees of MCCI from the PRC to carry out the work but an increase in the cost of Chinese labour during the negotiation process made this proposal less attractive. The use of Chinese labour also entailed a lengthy process to comply with South African labour legislation and work permit requirements. The parties therefore agreed that the best approach for the shaft sinking work packages would be to engage with established South African shaft sinking contractors and to embark upon a competitive tender process to secure the best commercial way forward. Amongst others, the relevant reasons included; (1) the vast experience in local conditions of the South African companies and the impact of this in respect of due diligence to be conducted by potential investors and lenders, and (2) local expectations in respect of creating employment opportunities for South Africans, especially from the perspective of ensuring harmonious community and local stakeholder relationships. The decision was not a requirement of either party but rather the product of a responsible discussion between the parties, which we believe is in the Company's best interests.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

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

#### **Tendering for a South-African shaft-sinking contractor** *(Continued)*

The Company and MCCI are working on the tender documentation for the employment of potential South-African shaft-sinking contractor. The management reasonably expects that this will be ready to be issued to prospective contractors in the first quarter of 2019. Whilst the Company will set deadlines for the contractors to respond to the tender request it is reasonable that the tenders will take 3-4 months to be compiled, followed by a one-month adjudication process by the Company and MCCI. The whole tendering process will, tentatively, be concluded not later than the third quarter of 2019.

#### **Disposal of Holfontein Investments (Pty) Limited**

The sale process for TGS to dispose of its 100% interest in Holfontein Investments (Pty) Limited ("HIL") is progressing and it is expected that the sale will conclude during the first few months of 2019, subject to agreement on price and the necessary governmental approvals being granted.

When the Evander Project was acquired in 2010 the Project did not have an approved tailings storage facility ("TSF"). The Company initiated an extensive site selection process and eventually identified a suitable area for the TSF. The Company then entered into an option agreement to acquire the relevant surface rights over the area where the TSF would be located. The area was underlain by a mining right for coal held by HIL. Construction of the TSF would largely sterilize this coal so TGS was then obliged to acquire HIL for a consideration of ZAR50 million. The Company then designed a TSF for this site and this formed part of the Evander BFS.

In 2017, the Company was approached by the owner of an adjacent mine, for an agreement to discharge tailings from Evander Project onto the TSF of this adjacent mine. The management considered that this would benefit the Company by saving on the cost of constructing a new TSF and avoiding a lengthy environmental permitting process. As a result, in late 2017, the Company entered into an agreement for the right to use this alternative TSF and now has the right to dispose of its tailings on a TSF being constructed by the neighbouring mine as part of its tailings retreatment project. The original TSF site is now superfluous to the Company's needs and in April 2018 TGS therefore started a process to dispose of HIL, which as mentioned above, is expected to conclude by the first quarter of 2019.

#### **The EIA/EMP Amendment Process**

As a result of the agreement with this neighbouring mine, the Company will amend the EIA for the Evander project to reflect the positive changes regarding tailings disposal and to amend the Mining Works programme and Environmental Authorization, as disclosed in the 2018 Annual Report.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

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

#### **The EIA/EMP Amendment Process** *(Continued)*

The initial scope of the Evander EIA was based on the assumption that a new TSF facility had to be established. This process was at an advanced stage when the agreement with the adjacent mine above, was concluded. As mentioned earlier, the environmental permitting for the adjacent TSF site was already in place, which greatly reduced risk for the Company. The agreement with the neighbouring mine meant that the scope of the EIA changed, from one that provided for a TSF to be built and operated by the Company, to a TSF to be built and operated by a neighbouring mine. Certain specialist studies need to be redone, as does a further round of public participation meetings. The specialist studies include field assessments looking at plant diversity etc. The preferred season for conducting such biodiversity studies is late spring, which in the region is in late November. Planning for these studies has begun. In June 2018 a consultancy appointed by the Company prepared a timeline and quotation for the programme and the EIA amendment process will take approximately 14 months.

It should be noted that a Water Use Licence (Wula) was granted to the Company by the Department of Water and Sanitation on 1 March 2018. In terms of this environmental permitting, the Company is permitted to commence to the de-watering, rehabilitation of surface area, rehabilitation of mine headgear, installation of services and winders, rehabilitation of the current shaft steelwork and sinking of the shaft to the deeper required level. In other words, the environmental approvals to commence with the initial construction phases of the Evander project are already in place. Although amendments to, and the submission of, the final EIA can be finalized concurrently with this construction phase, this would not be advisable. It is important to note that the application for a full EIA has not started as it is only required when Evander commences production. The Company will assess the necessity to apply for the full EIA and start the application concurrently with the MCCI business negotiations mentioned above if necessary. Further disclosure would be made as the project progresses in the future.

### **The Jeanette Project**

On 28 April 2018 and as disclosed in the 2018 Annual Report, the Company entered into a Service Contract with MCCI to carry out the Feasibility Study for the Jeanette Project. The study is well advanced and it is expected that the results thereof will be announced during early 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## HUMAN RESOURCES

As at 30 September 2018, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 32 (2017: 46). 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 2018 are as follows:

|                                       | Number of Share Options  |             |              | As at<br>30 September<br>2018 | Exercise price<br>(HK\$)      | Grant date   | Vesting<br>period | Exercise<br>period              |
|---------------------------------------|--------------------------|-------------|--------------|-------------------------------|-------------------------------|--------------|-------------------|---------------------------------|
|                                       | As at<br>1 April<br>2018 | Granted     | Lapsed       |                               |                               |              |                   |                                 |
| Li Hok Yin <sup>(note)</sup>          | -                        | 19,215,637  | (19,215,637) | -                             |                               |              |                   |                                 |
| Christiaan Rudolph de<br>Wet de Bruin | -                        | 19,215,637  | -            | 19,215,637                    |                               |              |                   |                                 |
| Neil Andrew Herrick                   | -                        | 19,215,637  | -            | 19,215,637                    |                               |              |                   |                                 |
| Cheung Pak Sum                        | -                        | 19,215,637  | -            | 19,215,637                    |                               |              |                   |                                 |
| Li Kam Chung                          | -                        | 19,215,637  | -            | 19,215,637                    | HK\$0.149 per<br>Share Option | 16 July 2015 | 15 July 2016      | 16 July 2015 to<br>15 July 2020 |
| Consultant                            | -                        | 44,252,463  | -            | 44,252,463                    |                               |              |                   |                                 |
| Continuous contact employee           | -                        | 74,753,570  | -            | 74,753,570                    |                               |              |                   |                                 |
| <b>Total</b>                          | -                        | 215,084,218 | (19,215,637) | 195,868,581                   |                               |              |                   |                                 |

Note: Li Hok Yin resigned as Executive Director with effect from 18 September 2018.

As at 30 September 2018, there were Share Options relating to 195,868,581 Shares granted by the Company representing 1.08% 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 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2018, the interests and short positions of the Directors 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")), 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 of Hong Kong Limited (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/<br>Chief Executive | Number of<br>Ordinary Shares |                        | Number of<br>underlying<br>shares held<br>under share<br>options | Total       | Percentage<br>of the issued<br>share capital<br>of the<br>Company |
|---------------------------------------|------------------------------|------------------------|--|-------------|---|
|                                       | Personal<br>interests        | Corporate<br>interests |  |             |   |
| Christiaan Rudolph de<br>Wet de Bruin | 381,924,902                  | -                      | 19,215,637   | 401,140,539 | 2.20%   |
| Cheung Pak Sum                        | -                            | -                      | 19,215,637   | 19,215,637  | 0.11%   |
| Neil Andrew Herrick                   | 36,683,815                   | -                      | 19,215,637   | 55,899,452  | 0.31%   |
| Li Hok Yin <sup>(Note)</sup>          | 17,380,622                   | -                      | 19,215,637   | 36,596,259  | 0.21%   |
| Li Kam Chung                          | -                            | -                      | 19,215,637   | 19,215,637  | 0.11%   |

Note: Mr. Li Hok Yin resigned as director of the Company with effect from 18 September 2018, the 19,125,637 share options granted to Mr. Li will be expired on 17 October 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### DIRECTORS' INTERESTS IN SHARE CAPITAL *(Continued)*

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

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 2018 as defined in Section 352 of the SFO.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2018, the following Shareholders 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:

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

| Name of shareholders   | Number of ordinary shares held | Underlying shares of equity derivatives | Total interest | Percentage of issued ordinary shares as at 30 September 2018 |
|--|--------------------------------|---|----------------|--|
| Electrum Strategic Exploration Limited <sup>(note 1)</sup>       | 1,707,676,319                  | –                                       | 2,295,047,831  | 12.64%   |
| Mandra Materials Limited <sup>(note 2)</sup>                     | 1,608,854,156                  | –                                       | 1,835,354,722  | 10.11%   |
| 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    | 2.35%  |
| Gold Commercial Services Limited ("GoldCom") <sup>(note 3)</sup> | 1,441,073,509                  | –                                       | 1,301,713,219  | 7.17%  |

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

### (a) Long positions in ordinary shares and underlying shares of the Company *(Continued)*

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, Mandra ESOP Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the Shares held by Mandra Materials Limited, Mandra ESOP Limited and Woo Foong Hong 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. On 21 November 2014, the Shareholders passed a 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). The abovementioned rights were expired on 7 September 2016.

### (b) Short positions in shares and underlying shares

There were no short positions in the shares and underlying shares of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

Save as disclosed herein, as at 30 September 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## 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 independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the by 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 2018. 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 unaudited consolidated financial statements for the six months ended 30 September 2018 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**

Mr. Li Hok Yin, the Co-chairman and Executive Director of the Company, tendered his resignation as the Co-chairman and the Executive Director to the Company with effect from 18 September 2018. On the same date, Ms. Cheung Pak Sum, the Executive Director of the Company, was re-designated as the Co-chairman of the Company with immediate effect.

Ms. Wong Pui Yee resigned as the Company Secretary of the Company with effect from 5 October 2018. On the same date, Mr. Tung Yee Shing was appointed as Company Secretary of the Company with immediate effect.



# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## 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 and Co-chairman*

Hong Kong, 28 November 2018