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**TAUNG GOLD | TAUNG GOLD INTERNATIONAL LIMITED**  
**壇金礦業有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 621)**

**DISCLOSEABLE TRANSACTION**  
**GUARANTEE MADE IN CONNECTION WITH THE FORMATION OF**  
**JOINT VENTURE**

**GUARANTEE**

On 9 June 2017, TG BVI, a non-wholly owned subsidiary of the Company, and the Joint Venture Partner, entered into the Joint Venture Agreement to establish the Joint Venture Company in preparation for the bidding of the Mining Project, namely a copper project in Pakistan. Pursuant to the Joint Venture Documents, bank guarantees of an aggregate amount of up to US\$50 million (equivalent to approximately to HK\$387.5 million) shall be provided in favour of the Joint Venture Partner as guarantee for the performance of the obligations of TG BVI under the Joint Venture Agreement. Accordingly, Lee Hing Mining, an indirect wholly-owned subsidiary of the Company, procured the Bank to provide Bank Guarantee of an amount of up to US\$34.6 million (equivalent to approximately HK\$270 million) in favour of the Joint Venture Partner on 9 June 2017 by entering into the Guarantee Agreement with the Bank pursuant to which Lee Hing Mining shall provide security equivalent to US\$34.6 million (equivalent to approximately HK\$270 million) to secure the provision of the Bank Guarantee by the Bank. The other bank guarantee of US\$15.4 million has been procured and delivered by an independent third party in favour of the Joint Venture Partner on 9 June 2017.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the provision of the Guarantee under the Guarantee Agreement are more than 5% but less than 25%, the provision of the Guarantee under the Guarantee Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules. The Board wishes to emphasize that the terms of the formation of the Joint Venture Company, are still subject to further negotiation and agreement among the relevant parties as at the date of this announcement. Depending on the progress of the negotiation of the parties, further announcement will be made by the Company as and when required pursuant to the Listing Rules.

**Shareholders and potential investors should note that the transactions contemplated under the Joint Venture Agreement, in particular the bidding for the Mining Project, may or may not be successful or materialise. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.**

## **GUARANTEE**

### **Guarantee Agreement and Bank Guarantee**

On 9 June 2017, TG BVI, a non-wholly owned subsidiary of the Company, and the Joint Venture Partner, entered into the Joint Venture Agreement to establish the Joint Venture Company in preparation for the bidding of the Mining Project, namely a copper project in Pakistan. Pursuant to the Joint Venture Documents, bank guarantees of an aggregate amount of up to US\$50 million (equivalent to approximately to HK\$387.5 million) (which is determined by reference to the initial commitments of TG BVI under the Joint Venture Agreement in preparation of successful bidding for the Mining Project) shall be provided in favour of the Joint Venture Partner as guarantee for the performance of the obligations of TG BVI under the Joint Venture Agreement. Accordingly, Lee Hing Mining, an indirect wholly-owned subsidiary of the Company, procured the Bank to provide Bank Guarantee of an amount of up to US\$34.6 million (equivalent to approximately HK\$270 million) in favour of the Joint Venture Partner on 9 June 2017 by entering into the Guarantee Agreement with the Bank pursuant to which Lee Hing Mining shall provide security equivalent to US\$34.6 million (equivalent to approximately HK\$270 million) to secure the provision of the Bank Guarantee by the Bank. The other bank guarantee of US\$15.4 million has been procured and delivered by an independent third party in favour of the Joint Venture Partner on 9 June 2017.

The Guarantee Agreement has taken effect on 9 June 2017 simultaneously with the execution and delivery of the Bank Guarantee. Pursuant to the Bank Guarantee and the Joint Venture Documents, the Bank has provided an irrevocable and unconditional guarantee in favour of the Joint Venture Partner, who may draw up to US\$34.6 million under the Bank Guarantee solely and exclusively to secure the performance of any outstanding obligations and default of TG BVI under the Joint Venture Agreement. The Bank Guarantee shall expire on the earlier of: (i) the bid for the Mining Project being unsuccessful; or (ii) the Joint Venture Company securing adequate funding to finance the Mining Project; or (iii) the mining lease of the Mining Project is not granted to the Joint Venture Company; or (iv) failure to execute the subsequent agreements which are necessary for the implementation of the Mining Project.

## **THE JOINT VENTURE DOCUMENTS**

The Group (through TG BVI) entered into the Joint Venture Documents with the Joint Venture Partner on 9 June 2017 and the principal terms of the Joint Venture Documents are summarized below:

Parties and shareholding ratio	(1) TG BVI (81.55%); and  (2) The Joint Venture Partner (18.45%).
Initial issued capital of the Joint Venture Company	PKR 1,000,000 (equivalent to approximately HK\$74,000 based on the exchange rate of PKR1 = HK\$0.074).
Share Capital Contribution	TG BVI shall be responsible for the share capital contribution for subsequent increases in authorized share capital of the Joint Venture Company on terms to be agreed by the shareholders. The Joint Venture Partner's shareholding in the Joint Venture Company at 18.45% shall be contributed by TG BVI on behalf of the Joint Venture Partner.

The Joint Venture Partner may also exercise the right to subscribe for further shares in the Joint Venture Company to increase its shareholding interest to up to 49% of the issued share capital of the Joint Venture Company on terms to be agreed between the shareholders. Such right may only be exercised by the Joint Venture Partner on the later of: (i) within six months from 9 June 2017; or (ii) before the grant of mining lease of the Mining Project to the Joint Venture Company.

Obligations of the parties	<p>The Joint Venture Partner's main obligations is to assist the Joint Venture Company in developing its business plan and for submission thereof to the relevant governmental and regulatory authorities.</p> <p>TG BVI's main obligations is to make the relevant share contributions and arrange financing for the Mining Project on terms to be agreed.</p>
Scope of Business	<p>Bidding for and the exploration, development and operation of (if the bid is successful) the Mining Project.</p>
Distribution of Profits	<p>Profits of the Joint Venture Company shall be distributed as mutually agreed by the shareholders in accordance with the shareholding proportions of the shareholders in the Joint Venture Company at the end of the relevant financial year, provided that the dividends shall not exceed the amount recommended by the board of directors of the Joint Venture Company.</p>
Board Composition	<p>The board of the Joint Venture Company will consist of seven directors, whereas TG BVI is entitled to appoint five directors and the Joint Venture Partner is entitled to appoint two directors. In the event that the Joint Venture Partner exercises its right to subscribe for additional shares to increase its shareholding interest in the Joint Venture Company to 49%, then the Joint Venture Partner shall be entitled to appoint three directors and TG BVI is entitled to appoint four directors. All decisions of the board shall be made by a simple majority vote of the directors.</p>

Term of the Joint Venture

The Joint Venture Agreement shall continue in full force and effect until the occurrence of any of the following events: (a) the Joint Venture Agreement is terminated by written agreement between the shareholders; (b) any shareholder becomes the sole shareholder of the Joint Venture Company; (c) the Joint Venture Company ceases to carry on the business of operating the Mining Project; (d) the commencement of winding-up/liquidation of the Joint Venture Company; (e) the Joint Venture Company is listed on a recognized stock exchange; (f) the Joint Venture Company loses its right to undertake the Mining Project; or (g) the mining lease for the Mining Project has not been granted to the Joint Venture Company within six (6) months from the date of the Joint Venture Agreement or such other longer period as the parties may agree.

Other terms

- (1) Significant matters (such as changes to the constitutional documents, changes to share capital, variation of rights of shareholders, appointment of auditor, approval for significant investment or agreement, any material change of activities of the Joint Venture Company, distribution of profits, liquidation of the Joint Venture Company) shall be approved unanimously by all the shareholders present at a meeting of shareholders of the Joint Venture Company.
- (2) Shares may only be transferred upon prior written consent of the other shareholders, provided that shares may be transferred upon giving the other shareholders the first right of refusal, tag-along or drag-along rights, or in the case where a shareholder commits an event of default under the Joint Venture Agreement, the non-defaulting shareholders may acquire the shares from the defaulting shareholders.

## **INFORMATION OF THE COMPANY, LEE HING MINING, TG BVI AND THE JOINT VENTURE PARTNER**

The Company is principally engaged in investment holding, trading of minerals, exploration, development and mining of gold and associated minerals in South Africa and Indonesia.

TG BVI is an indirect non-wholly owned subsidiary of the Company. It was incorporated in the British Virgin Islands and is principally engaged in investment holding. Lee Hing Mining is a wholly-owned subsidiary of the Company. It was incorporated in Hong Kong and is principally engaged in trading of minerals.

The Joint Venture Partner is a construction and military engineering branch of the Pakistan Army that has been working in diversified construction fields for over 50 years, including development of infrastructure such as roads, railways and airfields, development of irrigation infrastructure including dams, canals and barrages, establishment of power projects, tunneling and mining, telecommunication, and construction of residential and industrial infrastructure in Pakistan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Joint Venture Partner and its ultimate beneficial owner are third parties independent of the Group and connected persons of the Group.

## **INFORMATION OF THE MINING PROJECT**

The Mining Project is located in a desert area 40 km away from Quetta-Zahidan Highway, 70 kilometres north-west of Nokundi in Chagai district of Balochistan. The Mining Project is comprised of mainly an enriched copper sulphide (mostly chalcocite) ore body situated above a primary porphyry copper system. The resource lies within an intrusive complex comprising diorite porphyry intruded into a volcanic pile of andesitic lava, volcano clastic rocks and sedimentary rocks. The volcanic rocks have been affected by predominantly phyllic or intermediate (sericite-quartz-chlorite-clay) hypogene alteration in the vicinity of the porphyritic intrusions, with supergene leaching and enrichment. The Mining Project's indicated mineral resource was estimated in 2001 as 94 million tons having a grade of 0.73% Cu (using a 0.3% Cu cut-off grade) from a database comprising 32 reverse circulation holes and 8 diamond drill holes. During 2004 a further 30 diamond drill holes were drilled in the area of the Mining Project, all of which intersected the mineralized zone. The strip ratio is approximately 1:1 (waste tons: ore tons). The ore in the Mining Project, comprising mainly of chalcocite is amenable to flotation as well as to bacterial heap leaching and solvent extraction electro-winning processing.

## **REASONS FOR AND BENEFITS DERIVED FROM ENTERING INTO GUARANTEE AGREEMENT AND THE JOINT VENTURE AGREEMENT**

The Mining Project is located in the north west region of Chagai, Balochistan in Pakistan, a very well-known copper and gold region in Pakistan. The entering into of the Joint Venture Documents signifies a milestone for the Group's participation in emerging mining sector in Pakistan through the ownership of 81.55% of the Joint Venture Company and its strategic relationship with the Joint Venture Partner. The Joint Venture Partner, being the local partner of the Company and a holder of 18.45% of the Joint Venture Company, has extensive experience in financing and construction projects in Pakistan. The Board believes that the cooperative relationship with the Joint Venture Partner will provide for the Joint Venture Company to pool together our respective resources, local and international capabilities and operating expertise to participate in the bid of the Mining Project. A successful bid for the Mining Project will have a positive effect on the Group's investment portfolio, allowing for the strengthening of the Group's competitive advantage as a whole, given that the Mining Project is expected to be beneficial to the Group's strategic intent and will enable the Group to effectively further align its strategy with the "One-Belt-One-Road" initiative, as announced by the Chinese Government. Furthermore and, subject to the bid for the Mining Project being successful, the relationship with the Joint Venture Partner will, in due course, be further enhanced by the appointment of an internationally recognised technical consultant to work with the Joint Venture Company in advancing the Mining Project.

To demonstrate the financial commitment of the Company to the potential Mining Project, the Joint Venture Partner has requested the Company to provide them with the Bank Guarantee in favour of the Joint Venture Partner to guarantee the obligations of the Group under the Joint Venture Documents. The Board is of the view that the provision of the Guarantee (and hence the Bank Guarantee) would facilitate the entering of the Joint Venture Agreement, aimed at developing a strategic relationship with the Joint Venture Partner in Pakistan to participate in the bid for the Mining Project and represents a good opportunity for the Group to expand its business portfolio. The Directors consider that the terms of the Guarantee are on normal commercial terms and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the provision of the Guarantee under the Guarantee Agreement are more than 5% but less than 25%, the provision of the Guarantee under the Guarantee Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules. The Board wishes to emphasize that the terms of the formation of the Joint Venture, is still subject to further negotiation and agreement among the relevant parties as at the date of this announcement. Depending on the progress of the negotiation of the parties, further announcement will be made by the Company as and when required pursuant to the Listing Rules.

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## DEFINITIONS

In this announcement, the following expressions will, unless the context requires otherwise, have the following meanings:

“Bank”	National Bank of Pakistan, Hong Kong Branch
“Bank Guarantee”	the bank guarantee dated 9 June 2017 given by the Bank in favour of the Joint Venture Partner of an amount of up to US\$34.6 million (equivalent to approximately HK\$270 million) pursuant to the terms of the Joint Venture Documents
“Board”	the board of Directors of the Company
“Business Days”	a day (excluding a Saturday) on which banks generally are open in China, Hong Kong and Pakistan for the transaction of normal banking business
“Company”	Taung Gold International Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange



“Director”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by the Group under the Guarantee Agreement
“Guarantee Agreement”	the agreement entered into between Lee Hing Mining with the Bank pursuant to which Lee Hing Mining shall provide security equivalent to US\$34.6 million (equivalent to approximately HK\$270 million) to secure the provision of the Bank Guarantee by the Bank
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Indonesia”	Republic of Indonesia
“Joint Venture Agreement”	the joint venture agreement entered into between the Joint Venture Partner and TG BVI on 9 June 2017
“Joint Venture Company”	the special purpose vehicle to be established in accordance with the terms as set out in the Joint Venture Agreement, which shall be responsible for, inter alia (a) execute the project agreements with, inter alios, the local governmental authorities, as applicable, and (b) undertake the Mining Project in accordance with, inter alia, the terms of the Joint Venture Agreement and other relevant agreements
“Joint Venture Documents”	the Joint Venture Agreement and an undertaking dated 9 June 2017 between the Company, TG BVI and the Joint Venture Partner in respect of certain matters under the Joint Venture Agreement
“Joint Venture Partner”	Frontier Works Organization, a company incorporated in Pakistan and principally engaged in construction in Pakistan

“Lee Hing Mining”	Lee Hing Mining Industry Limited, a wholly-owned subsidiary of the Company and incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Project”	the project for, inter alia, exploration, mineral deposit evaluation, mine construction, mine development, mining, the reclamation or rehabilitation of and remediation of land, the extraction, beneficiation, transportation, handling, storage and marketing of copper produced, the processing of mine tailings and all other ancillary activities, in each case, in respect of the copper deposit namely “Tanjeel H4 deposit”, situated in the north west of District Chagai, Balochistan, Pakistan
“Pakistan”	Islamic Republic of Pakistan
“PKR”	Pakistani Rupees, the lawful currency of Pakistan
“South Africa”	Republic of South Africa
“Shares”	the ordinary share(s) of HK0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TG BVI”	Taung Gold International Limited, a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, 51% of the issued share capital of TG BVI is indirectly held by the Company
“US\$”	U.S. Dollars, the lawful currency of United States of America
“%”	per cent

*In this announcement, the conversion of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 to HK\$7.75 and is for illustrative purposes only.*

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

Hong Kong, 12 June 2017

*As at the date of this announcement, the Board comprises nine Directors. The executive Directors are Mr. Li Hok Yin, Mr. Christiaan Rudolph de Wet de Bruin, Ms. Cheung Pak Sum, Mr. Igor Levental and Mr. Phen Chun Shing Vincent. The independent non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Tsui Pang.*

\* *For identification purpose only*