TAUNG GOLD

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

RESULTS

The board of directors (the "**Board**") of Taung Gold International Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2017 together with the comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Other income	*3*	**21,948**	21,811
Other gains and losses	*4*	**(191)**	89
Administrative and operating expenses		**(40,197)**	(22,950)
Fair value change on gross obligation – under put options		**–**	(25,934)
Provision for loss on relinquishment of a mining licence		**(30,333)**	–
Share of results of associates		**(5)**	52
Loss before taxation		**(48,778)**	(26,932)
Income tax expense	*5*	**–**	(5,210)
Loss for the period	*6*	**(48,778)**	(32,142)

* *For identification purpose only*

	Notes	Six months ended 30 September **2017** *HK$'000* **(unaudited)**	2016 *HK$'000* (unaudited)
Other comprehensive income (expense) for the period:			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		**6,969**	60,371
Total comprehensive income for the period		**(41,809)**	28,229
Loss for the period attributable to:			
Owners of the Company		**(45,949)**	(34,912)
Non-controlling interests		**(2,829)**	2,770
		(48,778)	(32,142)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(40,467)**	8,431
Non-controlling interests		**(1,342)**	19,798
		(41,809)	28,229
Loss per share	*8*		
Basic (HK cents)		**(0.25)**	(0.25)
Diluted (HK cents)		**(0.25)**	(0.25)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	**30 September 2017** *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**3,687**	3,545
Exploration assets		**4,671,338**	4,523,585
Prepayments for acquisition of exploration assets		**–**	154,029
Interests in associates		**2,031**	2,010
Available-for-sale investment		**49,336**	49,336
Loans to shareholders of a subsidiary		**193,186**	193,967
Deposits for rehabilitation		**674**	674
Deposits for acquisition of investments		**60,000**	60,000
Deposit for acquisition-bank guarantee	*(9)*	**270,007**	–
Pledged bank deposits		**13,625**	2,413
		5,263,884	4,989,559
Current assets			
Other receivables, prepayment and deposits		**31,152**	12,854
Bank balances and cash		**33,851**	383,894
		65,003	396,748
Current liabilities			
Other payables and accruals		**8,047**	23,658
Gross obligation under put options		**–**	–
		8,047	23,658
Net current assets		**56,956**	373,090
Total assets less current liabilities		**5,320,840**	5,362,649

	Note	30 September 2017 HK$'000 (unaudited)	31 March 2017 HK$'000 (audited)
Capital and reserves			
Share capital	*11*	**181,515**	181,515
Reserves		**4,659,703**	4,700,170
Equity attributable to owners of the Company		**4,841,218**	4,881,685
Non-controlling interests		**479,622**	480,964
Total equity		**5,320,840**	5,362,649

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

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 2016, 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.

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

For the six months ended 30 September 2017

	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	(5,843)	(31,784)	–	(37,627)
Unallocated other income				21,948
Unallocated other gains and losses				(191)
Unallocated corporate expenses				(32,903)
Share of result of associates				(5)
Fair value change on gross obligation under put options				–
Loss before taxation				(48,778)

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)

3. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on loan to a shareholder of a subsidiary	**20,665**	18,942
Interest income on bank deposits	**1,282**	2,869
	21,947	21,811

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain (losses) on disposal of property, plant and equipment	**(191)**	89
	(191)	89

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 2016.

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.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	**339**	401
Operating lease rentals in respect of rented premises	**1,090**	1,211
Staff costs (including directors' emoluments)		
Share options expense	**–**	5,987
Salaries and other benefits	**14,970**	16,629
Contributions to retirement benefits schemes	**143**	134
Less: Amounts capitalised in exploration assets	**(3,670)**	(2,960)
	11,443	19,790

7. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

8. LOSS PER SHARE

The calculations of basic and diluted loss per share for the six months ended 30 September 2017 together with the comparative figures for 2016 are as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	**(45,949)**	(34,912)

	Six months ended 30 September	
	2017	2016
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**18,151,472**	13,759,923

The computation of diluted loss per share for the six months ended 30 September 2017 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 2016 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.

9. DEPOSIT FOR ACQUISITION – BANK GUARANTEE

On 9 June 2017, Taung Gold International Limited, which was a non-wholly owned subsidiary of the Company and incorporated in the British Virgin Island ("**TG BVI**"), entered into a joint venture agreement with a Company incorporated in Pakistan to establish a joint venture company in preparation for the bidding of a copper mine 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 National Bank of Pakistan, Hong Kong Branch (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. Details of the arrangement set out in the joint venture agreement and the respective bank guarantees required for the TG BVI's performance obligations are disclosed in the Company's announcement dated 12 June 2017.

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 2017, the remaining 20,299,911 put options granted by the Company to South African Shareholders on 5 September 2014 were exercised and fair value of gross obligation under put options of approximately HK$112,110,000 was derecognised. Furthermore, the remaining 1,563,772 put options granted by the Company to TG Optionholders on 5 September 2014 were executed and settled by issue of 83,463,524 shares of the Company and fair value of gross obligation under put options of approximately HK$7,179,000 was derecognised. As at 30 September 2017, 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)) expired on 7 September 2016. During the six months ended 30 September 2017, the 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 2017 was with reference to quoted market price available on the Stock Exchange.

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.

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.

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.

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.

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

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

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

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the put option agreements. In addition, if any TG Optionholder wishes to sell all or part of the TGL shares obtained 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.

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

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

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

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

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.

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 2017, the directors of the Company considered that the possibility of exercisability of the call options is low as the likehood 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 2017, no call options were exercised by the Company.

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

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

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

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

The exercise of the call options shall be conditional upon (a) a change of control of the Company has occurred and duly completed in accordance with the terms and conditions thereunder and has been announced on the Stock Exchange; (b) where applicable, the exercise of the call options having been approved by the independent shareholders as required by and in accordance with the requirements under the Listing Rules; and (c) the offer price of the Company's share shall not less than HK$0.20 per share.

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

As at 30 September 2017, the directors of the Company considered that the possibility of exercisability of the call options is low as the likehood 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 2017, no call options were exercised by the Company.

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

11. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2016, 30 September 2016, 31 March 2017 and 30 September 2017	30,000,000,000	300,000
Issue and fully paid:		
At 1 April 2017 (audited)	18,151,471,981	181,515
At 30 September 2017 (unaudited)	18,151,471,981	181,515

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

12. EVENT AFTER THE END OF THE REPORTING PERIOD

The Group has been reviewing the operations in Indonesia together with its other assets and projects in South Africa and Pakistan. In view of the small scale of its Indonesian assets, the Group started to scale down the investment in Indonesia during the Period so as to concentrate its resources on assets in South Africa and potentially, Pakistan. The Group was in the process of relinquishing the mining license held by an indirect subsidiary of the Company, PT Bolmong Timur Primanusa Resource ("**PTBTPR**"). On 2 October 2017, a letter was issued by Governor of Sulawesi Utara to terminate the mining license held by PTBTPR. The carrying value of the mining license being terminated was approximately HK$30,333,000 and a provision was made in the unaudited condensed consolidated statement of comprehensive income for the six months ended 30 September 2017. The Group believes the relinquishment of the PTBTPR mining license would reduce future obligation in its investment in Indonesia and allow the Group to be more focused on other assets in South Africa and Pakistan.

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$45,949,000 or a loss of HK$0.25 cents per share (basic), compared with a net loss attributable to owners of the Company for the period ending 30 September 2016 of approximately HK$34,912,000 or loss of HK$0.25 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 2017 (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group's had no outstanding bank borrowings (31 March 2017: Nil) and no banking facilities (31 March 2017: Nil).

The Group's gearing ratio as at 30 September 2017 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$5,328,887,000 (31 March 2017: HK$5,386,307,000).

As at 30 September 2017, the balances of cash and cash equivalents of the Group were approximately HK$33,851,000 (31 March 2017: HK$383,894,000) 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 2017, 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.

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 the study work for the Evander and Jeanette projects and field work, respectively 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, approximately ZAR6.7 million 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.

Expenditure on the Evander Project for the period ended 30 September 2017:

Consultants & Service providers	ZAR4.16m
Staffing	ZAR9.11m
Business Development	ZAR1.34m
Overheads	ZAR3.59m
Total	ZAR18.20m

The Evander Bankable Feasibility Study

The BFS for the project targeted a Measured and Indicated Resource of 19.85 million tons of Kimberley Reef at an average gold grade of 8.47g/t (measured over a mining width of 112cm), containing 5.41 million ounces of gold. On 16 May 2016, the Company declared a maiden Mineral Reserve (Probable Reserve) from the Evander Project's Kimberley Reef horizon of 4.29 million ounces of gold, from 19.64 million tons of ore at an average head grade of 6.80g/t. On 12 September 2016, the Company announced the BFS for the Evander Project and highlights from the results are as follow:

Evander Project BFS Highlights

Annual Gold Recovered at Full Production	309,000 oz
Gold Recovered over Life of Project	4,113,000 oz
Recovered Grade over Life of Project	6.51g/t
Initial Construction Capital Cost Estimate	US$579.3m
Total Capital Cost over Life of Project	US$714.7m
Capital Efficiency	US$2,696/oz
After-tax Net Present Value ("**NPV**") at 5% Discount Rate	US$724.8m
After-tax Internal Rate of Return ("**IRR**")	17.6%
Life of Mine	20 years
Payback	3.6 years
Cash Operating Costs	US$486/oz
All in Sustaining Costs ("**AISC**")	US$583/oz
All in Costs ("**AIC**")	US$724/oz

Notes:

1. Financials calculated using a gold price of $1,290/oz and an exchange rate of US$1.00 = ZAR14.00.

2. Capital Efficiency is calculated as total capital cost divided by average annual gold production over the production life of mine.

3. Payback calculated from date of first production.

4. US$/oz cost definitions as per World Gold Council Guidance Note on AISC and AIC costs – 27 June 2013.

Turnberry Projects (Pty) Limited ("**Turnberry**"), an independent South African based consultancy, was the lead independent consultant for the BFS, which has an effective date of 29 February 2016. All estimates in this result announcement have been extracted from the BFS report dated 29 February 2016. The engineering, design, scheduling and original capital and operating cost estimating work for the Project was carried out in South Africa by various independent professional consultants under the leadership of Turnberry. As a part of its review process, the Company engaged China ENFI Engineering Corporation Limited, a subsidiary of Metallurgical Corporation of China Limited ("**MCC**"), to investigate further capital cost and construction scheduling optimization. Accordingly, the BFS results include the results of this optimization.

As previously reported, the Company entered into a framework agreement with MCC International Incorporation Ltd. ("**MCCI**"), a subsidiary of MCC, on 23 October 2014 with the objective of entering into an engineering, procurement and construction contract for the Project. The Company continues to engage with MCCI with the intention of entering into contractual arrangements to commence and complete of the construction phase of the project.

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 Welkom, in the Free State Province of South Africa.

Prospecting rights and mining right for the Jeanette Project

The Prospecting Right permits the exploration of gold ore, silver ore and uranium ore in the Jeanette area. The registration of Prospecting Right No. 144/2013 took place on 30 October 2013 and the Deed of Cession was registered at the MPTRO on 1 November 2013. TGFS, a wholly owned subsidiary of TGL, is now the registered holder of the Prospecting Right. Apart from the Prospecting Right, TGL has consolidated its mineral rights holdings in and around its Jeanette Project area, including the farms Buitendachshoop 122, Weltevreden 59, Portion RE and LeClusa 70 from Free State Development and Investment Corporation Limited. In addition, TGFS has been granted additional prospecting rights over the Bandon 345, Damplaats 361, Katbosch 358, Leeuwbosch 285 farms and also a portion of Weltevreden 59 farm, all being contiguous to the Jeanette Project.

TGFS submitted a Section 102 application on 4 March 2014 to consolidate the above permits into a single prospecting right using the Jeanette prospecting right (MPTRO 144/2013) as the basis for such consolidation. As the holder of the various Prospecting Rights that make up the Jeanette Project, TGFS had an exclusive right to apply for the Mining Right over the Jeanette project area. On 19 June 2015, TGFS applied for a mining right over the consolidated area. The application was formally accepted by the Department of Mineral Resources ("**DMR**"). As part of the application for a Mining Right, a Mining Work Program ("**MWP**"), Social and Labour Plan ("**SLP**") and an Environmental Impact Assessment together with an Environmental Management Program ("**EMP**") were submitted for approval. The Environmental Authorisation for the Jeanette Project was approved on 20 December 2016 and the Ministerial consent for the granting of the Mining Right took place on 25 June 2017. Execution of the Jeanette Mining Right took place on 9 November 2017 and registration will follow in the next few weeks. An application for an Integrated Water Use License ("**WUL**") will only be submitted on completion of the Bankable Feasibility Study for the Project.

Jeanette Project Description

The PFS for the Jeanette Project targeted a Measured and Indicated Resource of 13.1 million tons of Basal Reef at an average gold grade of 22.41g/t (measure over a reef channel width of 38cm), containing 9.44 million ounces of gold. On 23 May 2016, the Company declared a maiden Mineral Reserve (Probable Reserve) at its Jeanette Project of 7.12 million ounces of gold, from 19.21 million tons of ore at an average head grade of 11.52g/t. The modifying factors used to determine the Probable Reserve were based on mining methods that have been designed to eliminate the technical risks associated with the Khaki Shale proximally above the Basal Reef and which have been designed and reviewed by independent industry experts to a PFS level. The drilling and three-dimensional seismic reflection survey work carried out during 2011 and 2012 resulted in a revised geological model for the Basal Reef and, in particular, revealed that the target area is shallower dipping and therefore amenable to mechanized mining methods. The application of mechanized mining methods in the mine design and scheduling has therefore resulted in significant reductions in the various dilution factors, when compared to traditional non-mechanized mining methods and, this is reflected in the Probable Reserve grade. These mining methods will be subject to additional and more detailed design at the BFS level of project study.

The registration of the Mining Right for the Jeanette Project will precede a decision to commence the BFS for the project.

On 9 March 2017, the Company announced an update on positive PFS results for the Jeanette Project and the highlights from these results are as follow:

Jeanette Project PFS Highlights

Gold Recovered over Life of Project	7.243Moz
Initial Construction Capital Cost Estimate	US$759.0m
Peak Funding	US$723.8m
Total Capital Cost over Life of Project	US$1,090.4m
Capital Efficiency	US$3,312/oz
After-tax NPV at 5% Discount rate	US$1,550.5m
After-Tax IRR	20.3%
Life of Mine	24 years
Payback	6.9 years
Cash Operating Costs	US$343/oz
Profit Margin	57.97%
All in Sustaining Costs	US$392/oz
All in Costs	US$542/oz

Notes:

1. Financials calculated using a gold price of $1,290/oz and an exchange rate of US$1.00 = ZAR14.00.

2. Capital Efficiency is calculated as total capital cost divided by average annual gold production over the production life of mine.

3. Payback calculated from date of first production.

Minxcon Projects (Proprietary) Limited ("**Minxcon**"), an independent South African-based consultancy, was the lead independent consultant for the PFS. All estimates in this announcement have been extracted from the PFS Report which has an effective date of 29 February 2016. The engineering, design, scheduling and capital and operating cost estimating work for the Project was carried out in South Africa by various independent professional consultants under the leadership of Minxcon. TGL has also completed an internal review of the Project. During the period under review ZAR4.87m was spent on the Jeanette Project.

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.

Expenditure on the Jeanette Project for the period ended 30 September 2017:

Consultants & Service providers	ZAR3.20m
Staffing	ZAR2.91m
Overheads	ZAR1.28m
Total	ZAR7.39m

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 dated 6 July 2015 (the "**Acquisition Agreement**"). Upon completion of the Acquisition Agreement, 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 held a conditional share purchase agreement ("**CSPA**") for purchase of 75% of the issued and outstanding share capital in PT Rihendy Tri Jaya ("**PTRTJ**").

On 3 January 2017, Minex and the Sellers entered into a supplemental agreement to the acquisition agreement dated 6 July 2015 ("**Acquisition Agreement**"), to amend the arrangements made in the Acquisition Agreement. The license held by PTRTJ has expired in early 2017, a formal tender process was conducted by the relevant government authority to award a new mining license covering the same area as the original license held by PTRTJ (the "**New Mining License**"). The New Mining License was successfully tendered for by PT Bulawan Boltim Primas ("**PTBBP**"). The Sellers have since made arrangements for Minex to acquire 75% of the issued share capital of PTBBP on the same terms as it would have acquired PTRTJ under the Acquisition Agreement. A formal tender process was also conducted by the same authority for an area known locally as Kutai, in between those held by PTBTPR and

PTBBP and PT Kotabunan Emas Prima ("**PTKEP**") successfully tendered for this area. The Sellers have also made arrangements for Minex to acquire 75% of the issued share capital of PTKEP. PTBTPR and PTBBP are the holders of concessions that contain several deposits with significant potential to hold gold mineralization.

Subsequent to the supplemental agreement on 3 January 2017 above, PTBBP and PTKEP have become indirect non-wholly owned subsidiaries of the Company with effect from 18 May 2017 and the conversion of PTBBP and PTKEP to PMA companies (PMA refers to company status that allows foreign ownership) has been completed on 27 April 2017.

Expenditure on the Minex Project for the period under review was as follow:

	HK$'000
Consultants & Service providers	235
Staffing	706
Overheads	510
Total	1,451

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

The Evander Project

The Company previously completed an Employer Requirements Document for the Evander Project based on the International Federation of Consulting Engineers ("**FIDIC**") Yellow Book approach and discussions with MCCI are now focused on the commercial terms for a Design & Build Contract for the project.

The application under Section 102 of the Mineral and Petroleum Resources Development Act ("**MPRDA**") to amend the Mining Right was delayed as a result of additional environmental investigations and is now anticipated to be submitted by the end of March 2018 and, after discussions with the DMR, will be accompanied by the EIA, SLP and MWP. Accordingly, a separate application for the Integrated Water Use License ("**IWUL**") is also expected to be submitted by the end of March 2018.

An EIA for the dewatering phase of the project has been approved and an application for a WUL for the dewatering phase of the project was submitted to the relevant authority on 19 September 2016 and approval is expected before the end of March 2018.

The Jeanette Project

The internal review of the Jeanette Project PFS was completed during the period under review and the results of the PFS were announced on 9 March 2017. Upon conclusion of the registration of the Mining Right, the Company will consider commencing a BFS for the Project. Further announcements in this regard will be made in due course.

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

- The ministerial consent for the granting of the Jeanette Mining Right was approved on 25 June 2017.

- The execution of the Jeanette Mining Right took place on 9 November 2017 and has been submitted for registration which should effected in the next few weeks.

An application for a water use license ("**WUL**") for the Jeanette Project will only be prepared for submission upon completion of the BFS.

The Minex Project

On 3 January 2017, Minex and the Sellers entered into a supplemental agreement to Acquisition Agreement ("**Supplemental Agreement**"), to amend the arrangements made in the Acquisition Agreement. The license held by PTRTJ has expired in early 2017, a formal tender process was conducted by the relevant government authority to award a new mining license covering the same area as the original license held by PTRTJ (the "**New Mining License**"). The New Mining License was successfully tendered for by PT Bulawan Boltim Primas ("**PTBBP**"). The Sellers have since made arrangements for Minex to acquire 75% of the issued share capital of PTBBP on the same terms as it would have acquired PTRTJ under the Acquisition Agreement. A formal tender process was also conducted by the same authority for an area known locally as Kutai, in between those held by PTBTPR and PTBBP and PT Kotabunan Emas Prima ("**PTKEP**") successfully tendered for this area. The Sellers have also made arrangements for Minex to acquire 75% of the issued share capital of PTKEP. PTBTPR and PTBBP are the holders of concessions that contain several deposits with significant potential to hold gold mineralization. The completion of the Supplemental Agreement was effective on 28 June 2017.

The Group has been reviewing the operations in Indonesia together with its other assets and projects in South Africa and Pakistan. In view of the small scale of its Indonesian assets, the Group started to scale down the investment in Indonesia during the Period so as to concentrate its resources on assets in South Africa and potentially, Pakistan. With the relinquishment of mining license held by PTBTPR, the Group is reviewing the risks and return of further investment in Indonesian assets, specifically, the license awarded to PTBBP and PTKEP. In cases where the assets and potential projects in South Africa and Pakistan may require significant investment, the Group may further scale down its investment and commitment in Indonesia so as to maintain liquidity of the Group as a whole.

HUMAN RESOURCES

As at 30 September 2017, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 46 (2016: 45). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

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 2017. 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.

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 2017 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. Phen Chun Shing, Vincent, the Non-executive Director of the Company, redesignated as Executive Director of the Company with effect from 11 May 2017. On 1 September 2017, Mr. Igor Levental resigned as an Executive Director of the Company. Mr. Chui Man Lung, Everett resigned as an Independent Non-executive Director of the Company with effect from 31 October 2017. On the same date, Mr. Chong Man Hung Jeffrey was appointed as an Independent Non-executive Director of the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 29 November 2017

As at the date of this announcement, the Board comprises eight Directors. The Executive Directors are Mr. Li Hok Yin, Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick, Ms. Cheung Pak Sum and Mr. Phen Chun Shing, Vincent. The Independent Non-executive Directors are Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang.