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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 621)**

# ANNOUNCEMENT OF POSITIVE BANKABLE FEASIBILITY STUDY RESULTS FOR THE COMPANY'S EVANDER PROJECT

This announcement is made by Taung Gold International Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") pursuant to rule 13.09 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the "**Board**") is pleased to report the results of the Bankable Feasibility Study ("**BFS**") at its flagship Evander No. 6 Shaft Project (the "**Evander Project**" or the "**Project**"). The Company, through its non-wholly owned subsidiary Taung Gold (Pty) Limited ("**TGL**") and TGL's wholly owned subsidiary Taung Gold Secunda ("Pty" Limited ("**TGS**"), is the owner of the Project and TGS is the holder of a mining right (the "**Mining Right**") registered under the Mineral and Petroleum Resources Development Act No. 28 of 2002 ("**MPRDA**") over the project area.

On 16 May 2016 the Company reported a maiden Probable Mineral Reserve for the Project which was determined in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("**SAMREC Code**"), the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves ("**JORC Code**") and, Chapter 18 of the Listing Rules.

* *For identification purposes only*

## PROJECT HIGHLIGHTS

Table 1 below shows the highlights from the results of the Evander Project BFS.

**Table 1: 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/or 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 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 ("**ENFI**"), a subsidiary of Metallurgical Corporation of China Ltd. ("**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 arrangements which will include provisions for cooperation between MCCI and the Company in relation to the completion of the construction phase.

Commenting on the results of the BFS, Neil Herrick, the Company's Chief Executive Officer, said *"We have taken another major step towards advancing Evander to become one of the most attractive mine development projects in the world. Its substantial high-grade gold endowment coupled with a well thought-through design and execution plan clearly demonstrate its robust potential to produce gold in the lowest quartile of the industry cost curve. Furthermore, Evander remains one of very few high-grade, large-scale and relatively low capital cost gold mining projects in the world, with the added advantages that arise from being located in a very well established gold mining area close to all of the required infrastructure, utilities, services and skilled labour. In addition, our time-tested productive engagement with MCCI bodes very well for the finalization of contractual arrangements for the development and financing of Evander into a model mine producing a significant volume of gold with very attractive unit costs."*

**PROJECT SUMMARY**

The Evander Project is located close to the town of Secunda, 120km south-east of Johannesburg, in the Mpumalanga Province of South Africa. The Project was acquired from Evander Gold Mining Company Limited, then a subsidiary of Harmony Gold Mining Company Limited, in September 2010. The Mining Right over the project area was registered in the name of TGS in the Mineral and Petroleum Titles Registration Office in November 2013. The Project is located in an established gold and coal mining region in close proximity to road, power and water & sanitation infrastructure and, which is well served with other necessary services. The Project is comprised of the following:

- Existing vertical shaft infrastructure that will be rehabilitated and extended to access the substantial high grade Mineral Resource and Reserve;

- Construction of a metallurgical processing plant that will treat all underground ore and produce gold doré bars for refining into 99.99% purity bullion at the Rand Refinery Limited;

- Establishment and construction of the associated infrastructure required to support operations and enable disposal of waste materials in accordance with internationally accepted standards;

- At full production, the Project is estimated to recover an average of 309,000 ounces per annum at a recovered grade of 6.75g/t with cash costs of US$486/oz; and

- In its year of peak production, the Project is estimated to recover approximately 338,000 ounces of gold at a recovered grade of 7.41g/t with cash costs of US$402/oz.

**PROJECT ANALYSIS**

**Project Overview**

Table 2 below summarises the results of the Evander Project BFS.

**Table 2: Evander Project BFS Summary**

| | |
|---|---|
| Annual gold recovered at full production | 309,000 oz |
| Gold recovered over life of project | 4,113,000 oz |
| Initial capital cost estimate | US$579.3m |
| Total capital cost over life of project | US$714.7m |
| Capital efficiency | US$2,696/oz |
| After-tax NPV at 5% discount rate | US$724.8m |
| After-tax 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/or an exchange rate of US$1.00 = ZAR14.00.

2. Capital efficiency is calculated as capital expenditure (excluding sustaining capital) divided by average annual gold production.

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.

**Financial Analysis**

The results of the BFS demonstrate that the Project is financially robust. The BFS indicates that the Project has a breakeven gold price of just below US$850/oz.

Table 3 below shows the sensitivity of the after-tax NPV and IRR to gold price.

**Table 3: After-Tax NPV and IRR Sensitivity to Gold Price**

| **Gold Price** *(US$/oz)* | **After-Tax NPV5.0%** *(US$m)* | **After-Tax IRR** *(%)* | **Payback** *(Years)* |
|---|---|---|---|
| 1,000 | 390.7 | 12.2 | 5.0 |
| 1,290 (Base) | 724.9 | 17.6 | 3.6 |
| 1,500 | 979.9 | 20.8 | 2.9 |
| 1,750 | 1,288.0 | 24.1 | 2.6 |
| 2,000 | 1,598.1 | 26.9 | 1.9 |

*Notes:*

1. Calculated using an exchange rate of US$1.00 = ZAR14.00.

2. Payback calculated from date of first production.

Table 4 below shows the sensitivity of the NPV to discount rate.

**Table 4: After-Tax NPV Sensitivity to Discount Rate.**

| **Discount Rate** | **After-Tax NPV** *(US$M)* |
|---|---|
| 0% | 1,833.5 |
| 5% (Base) | 724.9 |
| 7.5% | 443.3 |
| 10% | 258.5 |

*Note:* Calculated using a gold price of $1,290/oz and an exchange rate of US$1.00 = ZAR14.00.

**Analysis Assumptions**

Most South African gold mines refine their gold production through Rand Refinery Limited located in Germiston, Johannesburg. The Company obtained draft terms from Rand Refinery for use in the BFS and the contained refining costs and returns were escalated to 29 February 2016. The terms are based on doré being delivered to the refinery, weighed upon receipt, melted and sampled and, provided that the gold and silver content is within acceptable limits, the value of the contained gold (based on the AM or PM US$ fix of the London Bullion Market Association on the payment date payable in South African currency ("**ZAR**")), less refining costs, being paid to the producer within 48 hours of receipt of the doré. Silver receipts are normally credited to the producer a few days later. The Company has not entered into any agreements with Rand Refinery Limited.

As a result of the depreciation of the currencies of most commodity based economies against the US$, the price of gold in ZAR has reached record highs during 2016, despite the fact that gold, in US$, has traded significantly lower than its 2011 high. The price of gold in ZAR has increased by approximately 500% over the past ten years and has been on a consistent upward trend, coming from a base of just above ZAR100,000 per kilogram (ZAR3,200 per ounce) at the start of 2006. The price of gold reached over ZAR640,000 per kilogram (ZAR20,000 per ounce) during the last few months and as of the end of July 2016 was trading at just over ZAR600,000 per kilogram (ZAR18,700 per ounce).

The BFS has made use of a constant gold price of ZAR580,638 per kilogram (ZAR18,060 per ounce) calculated using the following assumptions:

- Gold price of US$1,290/oz; and

- An exchange rate of US$1.00 = ZAR14.00.

The BFS made use of the following further assumptions:

- An initial capital estimate accuracy of ±10% with a contingency applied in the capital estimate.

- Royalties calculated as per the South African Mineral and Petroleum Resources Royalty Act No. 28 of 2008 and the Mineral and Petroleum Resources Royalty (Administration) Act No. 29 of 2008. Mineral royalty is calculated based on revenue generated using a sliding scale formula with a minimum royalty of 0.5% and a maximum (for refined production) of 5%.

- Taxation calculated as per the South African Income Tax Act No. 58 of 1962.

  – Taxation is calculated on mining profits after capital and other input costs have been recuperated. The maximum rate of taxation is 34% and if the profit margin is less than 5%, no tax is payable.

  – A 12% capital allowance for post 1990 gold mines, as provided for in Section 36 (11) of the Income Tax Act, is also calculated, effectively increasing the redeemable capital provision in the after-tax financial evaluation. The 12% allowance is applied to the unredeemed capital at the beginning of each financial year, provided that the mine is not in commercial production.

**Capital Expenditure**

Table 5 below shows a summary of the estimated initial capital cost of the Project.

**Table 5: Estimated Initial Capital Cost of the Project**

| **Activity** | **Amount** *(US$m)* |
|---|---|
| Shaft rehabilitation & sinking to station battery limits | 368.3 |
| Development from station battery limits to reef intersection | 10.0 |
| Metallurgical plant & tailings storage facility | 55.5 |
| Ventilation & refrigeration | 24.9 |
| Electrical power | 26.4 |
| Owner's costs | 7.4 |
| Other | 68.0 |
| Capitalised revenue | -3.1 |
| **Sub-Total** | **557.4** |
| Contingency | 21.9 |
| **Total** | **579.3** |

Table 6 below shows a summary of the estimated total capital cost of the Project.

**Table 6: Estimated Total Capital Cost of the Project**

| **Activity** | **Amount** *(US$m)* |
|---|---|
| Shaft rehabilitation & sinking to station battery limits | 371.9 |
| Development from station battery limits to reef intersection | 92.5 |
| Metallurgical plant & tailings storage facility | 56.9 |
| Ventilation & refrigeration | 24.9 |
| Electrical power | 26.4 |
| Owner's costs | 7.4 |
| Other | 69.8 |
| Capitalised revenue | -3.1 |
| **Sub-Total** | **646.7** |
| Sustaining capital | 17.8 |
| Contingency | 50.2 |
| **Total** | **714.7** |

**Production Indicators**

The production plan (from which the Probable Mineral Reserve was determined) for the Project was designed and scheduled using the Mineral Resource as at 27 June 2013. The design, scheduling and capital & operational costing was carried out under the guidance of Mr. Timothy Vyvyan Spindler of Turnberry, in his capacity as the Competent Person, as defined in the SAMREC Code. The Mineral Resource was subsequently updated on 5 February 2016 although this update did not result in any changes to the Probable Mineral Reserve.

Table 7 below shows the estimated key production indicators over the life of the Project and annually at peak production.

**Table 7: Estimated Key Production Indicators for the Project**

| | Project Life | Annually at Full Production |
|---|---|---|
| Tons milled | 19.64Mt | 1.46Mt |
| Head grade | 6.80g/t | 7.02g/t |
| Metallurgical recovery | 96.0% | 96.0% |
| Recovered grade | 6.51g/t | 6.75g/t |
| Gold recovered | 127.96t | 9.63t |
| | 4,113,000 oz | 309,000 oz |
| Waste tons hoisted | 7.11Mt | 0.640Mt |

**Operating Cost Indicators**

Operating costs for the Project were estimated and escalated to 29 February 2016 on the basis of one of the following approaches, as appropriate:

- Zero based costing using supplier quotations and industry benchmarked consumption rates for all consumables and supplies;

- Original equipment manufacturer quotations for equipment, using new equipment;

- A manpower plan with labour rates that reflect prevailing salary conditions in the South African gold mining sector and using benchmarked operating efficiencies.

The Project will operate at an estimated life of mine cost per ton milled of US$101.71/t (ZAR1,423.94/t). The cash costs per ounce of gold produced are estimated to be US$486/oz (ZAR218,616/kg).

The estimated life of mine operating costs are shown in Table 8 below:

**Table 8: Estimated Life of Mine Operating Costs for the Project**

| | **Life of Mine** |
|---|---|
| Cash cost per ton milled | US$101.71/t |
| Cash cost | US$486/oz |
| All in sustaining cost ("**AISC**") | US$583/oz |
| All in cost ("**AIC**") | US$724/oz |

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

Table 9 below shows a summary of the estimated cash cost per ton milled.

**Table 9: Estimated Cash Cost per Ton Milled for the Project**

| **Activity** | **Cash Cost per Ton Milled** *(US$/t)* |
|---|---|
| Mining | 29.34 |
| Metallurgical processing & tailings deposition | 7.18 |
| Services | 21.34 |
| Labour | 35.15 |
| Environmental | 0.12 |
| Contingency & fees | 2.48 |
| Other | 6.11 |
| **Total** | **101.71** |

**Permitting**

TGS is in the process of preparing a Section 102 application under the MPRDA to amend the Mining Right to reflect the outcome of the BFS. This involves amendment of the Mining Works Program, Social & Labour Plan, Environmental Management Program, as well as an application for a new Integrated Water Use Licence. It is anticpated that the Section 102 application will be submitted to the regulatory authorities before the end of the year.

**Future Plans for the Evander Project**

The Company is in discussions with MCCI on the scope of work, work breakdown structure, work packages and the roles and responsibilities during the construction phase of the Project. This will form the basis of contractual arrangements for a design & build contract with MCCI, which will include provision for MCCI to assist the Company to secure financing for the Project. Further announcements in this regard will be made in due course.

## MINERAL RESOURCES AND RESERVES

There have not been any changes to the Mineral Resource and Mineral Reserve for the Evander Project since the previous announcement on 16 May 2016.

## CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

*Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company cautions that actual performance may be affected by a number of factors, most of which are beyond its control and that future events and results may vary substantially from what the Company currently foresees. Factors that could cause actual results to differ materially from those in forward-looking statements include, market prices, exploitation and explraion results, continuing availability of capital and financing and general economic, market and business conditions. The forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of 29 February 2016 and may be subject to change thereafter.*

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

Hong Kong, 12 September 2016

*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, Mr. Neil Andrew Herrick, Ms. Cheung Pak Sum and Mr. Igor Levental. The Non-executive Director is Mr. Phen Chun Shing Vincent. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Tsui Pang.*