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INTERIM

REPORT

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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

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

Mr. Phen Chun Shing Vincent

Independent Non-Executive Directors

Mr. Li Kam Chung

Mr. Chong Man Hung Jeffrey

Mr. Tsui Pang

AUDIT COMMITTEE

Mr. Chong Man Hung Jeffrey (*Chairman*)

Mr. Li Kam Chung

Mr. Tsui Pang

REMUNERATION COMMITTEE

Mr. Li Kam Chung (*Chairman*)

Mr. Chong Man Hung Jeffrey

Mr. Tsui Pang

NOMINATION COMMITTEE

Mr. Chong Man Hung Jeffrey (*Chairman*)

Mr. Li Kam Chung

Mr. Tsui Pang

TECHNICAL, SAFETY AND ENVIRONMENT COMMITTEE

Mr. Li Kam Chung (*Chairman*)

COMPANY SECRETARY

Mr. Tung Yee Shing

AUTHORISED REPRESENTATIVES

Mr. Tung Yee Shing

Ms. Cheung Pak Sum

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

AUDITORS

Crowe (HK) CPA Limited
Certified Public Accountants

LEGAL ADVISERS ON HONG KONG LAW

TC & Co., Solicitors

LEGAL ADVISERS ON BERMUDA LAW

Appleby

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1901, 19/F, Nina Tower
8 Yeung Uk Road, Tsuen Wan
New Territories, Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM12, Bermuda

COMPANY WEBSITE

www.taunggold.com

The board of directors (the “Board”) of Taung Gold International Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, referred to as the “Group”) for the six months ended 30 September 2022 together with the comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
	Notes	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other income	3	800	428
Other gains and losses	4	(339)	(885)
Administrative and operating expenses		(8,365)	(10,364)
Finance costs		(26)	(25)
Share of results of associates		(12)	(12)
Loss before taxation		(7,942)	(10,858)
Income tax expense	5	–	–
Loss for the period	6	(7,942)	(10,858)
Other comprehensive expense for the period: <i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(614,757)	(57,935)
Total comprehensive expense for the period		(622,699)	(68,793)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2022

		Six months ended 30 September 2022	2021
	Note	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(4,379)	(9,726)
Non-controlling interests		(3,563)	(1,132)
		(7,942)	(10,858)
Total comprehensive expense attributable to:			
Owners of the Company		(490,659)	(55,414)
Non-controlling interests		(132,040)	(13,379)
		(622,699)	(68,793)
Loss per share			
Basic (HK cents)	8	(0.02)	(0.05)
Diluted (HK cents)		(0.02)	(0.05)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Non-current assets		
Property, plant and equipment	1,859	2,341
Mining assets	2,602,482	3,205,370
Right-of-use assets	874	1,457
Interests in associates	478	490
Financial assets at fair value through profit or loss	42,602	52,536
Rental deposit	432	425
Pledged bank deposits	621	764
	2,649,348	3,263,383
Current assets		
Other receivables, prepayment and deposits	13,221	14,171
Bank balances and cash	150,303	163,168
	163,524	177,339
Current liabilities		
Lease liabilities	939	1,189
Other payables and accruals	4,218	6,652
	5,157	7,841
Net current assets	158,367	169,498
Total assets less current liabilities	2,807,715	3,432,881

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

As at 30 September 2022

	Note	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		–	282
Provision for rehabilitation costs		9,369	11,554
		9,369	11,836
Net assets			
		2,798,346	3,421,045
Capital and reserves			
Share capital	9	181,515	181,515
Reserves		2,067,723	2,558,382
Equity attributable to owners of the			
Company		2,249,238	2,739,897
Non-controlling interests		549,108	681,148
Total equity			
		2,798,346	3,421,045

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2022 (audited)	181,515	5,307,443	(829)	(74,746)	147,828	(1,002,932)	(1,818,382)	2,739,897	681,148	3,421,045
Loss for the period	-	-	-	-	-	-	(4,379)	(4,379)	(3,563)	(7,942)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(486,280)	-	(486,280)	(128,477)	(614,757)
Total comprehensive expense for the period	-	-	-	-	-	(486,280)	(4,379)	(490,659)	(132,040)	(622,699)
At 30 September 2022 (unaudited)	181,515	5,307,443	(829)	(74,746)	147,828	(1,489,212)	(1,822,761)	2,249,238	549,108	2,798,346

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2021 (audited)	181,515	5,307,443	(829)	(74,746)	147,828	(1,053,794)	(1,863,529)	2,643,888	645,321	3,289,209
Loss for the period	-	-	-	-	-	-	(9,726)	(9,726)	(1,132)	(10,858)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(45,688)	-	(45,688)	(12,247)	(57,935)
Total comprehensive expense for the period	-	-	-	-	-	(45,688)	(9,726)	(55,414)	(13,379)	(68,793)
At 30 September 2021 (unaudited)	181,515	5,307,443	(829)	(74,746)	147,828	(1,099,482)	(1,873,255)	2,588,474	631,942	3,220,416

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(18,134)	(15,210)
Net cash (used in)/from investing activities	(3,103)	26,802
Net cash (used in)/from financing activities	(558)	1,795
Net (decrease)/increase in cash and cash equivalents	(21,795)	13,387
Cash and cash equivalents at beginning of the period	163,168	163,140
Effect of foreign exchange rate changes	8,930	175
Cash and cash equivalents at end of the period, represented by bank balances and cash	150,303	176,702

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022.

In the current interim period, the Group has applied the following amendments to HKFRS issued by the HKICPA to the financial statements for the current accounted period:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

For the six months ended 30 September 2022

2. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) gold exploration and development in the Republic of South Africa ("South Africa"); and
- (b) trading of minerals.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

For the six months ended 30 September 2022

	Gold exploration and development in South Africa HK\$'000 (unaudited)	Trading of minerals HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE			
External sales	–	–	–
RESULTS			
Segment loss	(3,436)	–	(3,436)
Unallocated other income			360
Unallocated corporate expenses			(4,828)
Finance costs – interest on lease liabilities			(26)
Share of result of associates			(12)
Loss before taxation			(7,942)

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

For the six months ended 30 September 2022

2. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2021

	Gold exploration and development in South Africa HK\$'000 (unaudited)	Trading of minerals HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE			
External sales	–	–	–
RESULTS			
Segment loss	(5,284)	–	(5,284)
Unallocated other income			158
Unallocated corporate expenses			(5,695)
Finance costs – Interest on lease liabilities			(25)
Share of result of associates			(12)
Loss before taxation			(10,858)

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

For the six months ended 30 September 2022

3. OTHER INCOME

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Rental income	154	–
Interest income on rental deposit	7	8
Interest income on bank deposits	622	343
Others	17	77
	800	428

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Foreign exchange loss, net	(339)	(885)
	(339)	(885)

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

For the six months ended 30 September 2022

5. INCOME TAX EXPENSE

Hong Kong profits tax for both periods was calculated at 16.5% on the estimated assessable profits of the subsidiaries incorporated and operating in Hong Kong for the period. No provision for Hong Kong profits tax was made as these subsidiaries had no assessable profits for both periods.

Under South African tax law, the corporate tax for both periods was calculated at 28% on the estimated assessable profits of the subsidiaries incorporated and operating in South Africa for the period. No provision for South African profits tax was made as these subsidiaries had no assessable profits for both periods.

6. LOSS FOR THE PERIOD

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	179	184
Depreciation of right-of-use assets	583	523
Staff costs (including directors' emoluments)		
Salaries and other benefits (Note)	5,965	6,347
Contributions to retirement benefits scheme	76	139
Less: Amounts capitalised in mining assets	(2,164)	(2,171)
	3,877	4,315

Note: During the period ended 30 September 2022, the Group received COVID-19 related government grants of HK\$216,000 which has been offset against staff costs. No related grant was received during the last period.

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

For the six months ended 30 September 2022

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company for the six months ended 30 September 2022 together with the comparative figures for 2021 are as follows:

	Six months ended 30 September 2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	(4,379)	(9,726)

	Six months ended 30 September 2022	2021
	'000	'000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	18,035,062	18,035,062

The calculation of diluted loss per share for both periods did not assume the exercise of the Company's outstanding share options as assuming exercise of these share options would result in a decrease in loss per share.

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

For the six months ended 30 September 2022

9. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2022 and 30 September 2022	30,000,000,000	300,000
Issue and fully paid:		
At 31 March 2022 (audited)	18,151,471,981	181,515
At 30 September 2022 (unaudited)	18,151,471,981	181,515

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

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

During the period ended 30 September 2022, the Group recorded a basic loss attributable to owners of the Company of approximately HK\$4,379,000 or basic loss of HK0.02 cents per share, compared with a basic loss attributable to owners of the Company for the period ended 30 September 2021 of approximately HK\$9,726,000 or basic loss of HK0.05 cents per share.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group had no outstanding bank borrowings (31 March 2022: Nil) and no banking facilities (31 March 2022: Nil).

The Group's gearing ratio as at 30 September 2022 was zero (31 March 2022: zero), calculated based on the Group's total zero borrowings (31 March 2022: zero) over the Group's total assets of approximately HK\$2,812,872,000 (31 March 2022: HK\$3,440,722,000).

As at 30 September 2022, the balance of cash and cash equivalents of the Group was approximately HK\$150,303,000 (31 March 2022: HK\$163,168,000) and was mainly denominated in Hong Kong Dollars ("HK\$"), United States Dollars ("US\$") and South African Rand ("ZAR").

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 2022, the Group operated mainly in South Africa, and the majority of the Group's transaction and balances were denominated in HK\$, US\$ and ZAR. However, as the directors consider that the present currency risk is not significant, the Group does not have a policy of hedging foreign currency.

Nevertheless, the Company's management monitors foreign exchange exposure and will consider hedging foreign currency exposure should this be deemed prudent.

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 the following:

- Engaging with the regulatory authority to extend the date for commencement of construction of the Jeanette Project, due to delays caused by the COVID-19 pandemic lockdown;
- Implementing activities under the Social & Labour Plan in the communities surrounding the Jeanette Project to alleviate poverty in the area;
- Finalising and submitting a close-out report on the first five-year Social & Labour Plan for the Jeanette Project to the regulatory authority;
- Consulting and engaging with local authorities, local communities and regulatory bodies on the content of the second five-year Social & Labour Plan for the Jeanette Project;
- Finalising and submitting the second five-year Social & Labour Plan for the Jeanette Project to the regulatory authority;
- The sale of Holfontein Investments (Pty) Limited (“HIL”); and
- Identification of near-term gold producing assets for potential acquisition.

As at 30 September 2022, the Company had not conducted any mining or production activities.

The Evander Project

The Evander Project is located in the Evander Goldfield on the northeastern limb of the Witwatersrand Basin and is close to the town of Secunda in the Mpumalanga Province of South Africa. Taung Gold Secunda (Pty) Limited (“TGS”), a wholly-owned subsidiary of Taung Gold (Pty) Limited (“TGL”), is the registered holder of the mining right in terms of the Mineral and Petroleum Resources Development Act (“MPRDA”) of the Evander Project. The Mining Right No. 107/2010 was registered in the name of TGS in November 2013 and permits the mining of gold and associated minerals in the Six Shaft and Twistdraai area. During the period under review, ZAR2.02 million was spent on the Evander Project.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Evander Project *(Continued)*

On 12 September 2016, the Company announced the Bankable Feasibility Study (“BFS”) for the Evander Project. Highlights from the results are as follows:

Evander Project BFS Highlights

Gold Recovered over Life of Project	4,113,000oz
Annual Gold Recovered at Full Production	309,000oz
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 report 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 Evander 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Evander Project *(Continued)*

Expenditure on the Evander Project for the period ended 30 September 2022 was as follows:

	ZAR million
Consultants & service providers	0.02
Staffing	1.26
Overheads	0.74
Total	2.02

The Jeanette Project

The Jeanette Project is located in the northern region of the Free State goldfield close to the towns of Allanridge, Kutlwanong and Nyakallong, within the southwest limb of the Witwatersand Basin in the Free State Province of South Africa. Taung Gold Free State (Pty) Limited (“TGFS”), a wholly-owned subsidiary of TGL, is the registered holder of the mining right over the Jeanette Project. The Mining Right No. 33/2017 for the Jeanette Project was registered in the name of TGFS on 6 December 2017. During the period under review, ZAR4.82 million was spent on the Jeanette Project.

The Company previously entered into a Service Contract with MCCI International Incorporation Limited (“MCCI”), a subsidiary of MCC, whereby the Company appointed MCCI to carry out a Feasibility Study (“FS”) for the Jeanette Project. The FS was duly completed with an effective date of 23 July 2019.

The Company and MCCI agreed during the early stages of the FS that the Jeanette Project should be executed in a phased approach as follows:

Phase 1

- a. Completing and commissioning the existing No. 1 Shaft and No. 2B Shaft infrastructure and establishing a connection holing between the two shafts to access the northern portion of the orebody;
- b. Establishing ore reserve development in the northern portion of the orebody and building up the production profile to a rate of 30,833 tons milled per month at a head grade of 11.92g/t; and
- c. Establishing the surface infrastructure for a stand-alone mining and a modular processing operation at a rate of approximately 370,000 tons milled per annum.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Jeanette Project *(Continued)*

Phase 2

- a. Sinking and developing two new shafts to access the southern portion of the orebody;
- b. Establishing ore reserve development in the southern portion of the orebody and building up the production profile to a rate of 69,167 tons milled per month at a head grade of 11.06g/t; and
- c. Increasing the capacity of the processing plant and associated infrastructure to 830,000 tons per annum.

This phased approach has the following advantages over the approach followed initially in the pre-feasibility study (“PFS”):

- A significantly lower Initial Construction Capital Cost Estimate of US\$523.5 million (in 2019 terms) compared to US\$723.8 million (2017 terms) in the PFS, as a result of a more optimal use of the existing shaft infrastructure and the sinking of two new shafts being postponed to Phase 2; and
- A much shorter lead-time to first gold production of 3.6 years, as a result of being able to access the ore reserve much faster than anticipated in the PFS (4.5 years).

Given the above, the Company believes that the phased approach is a superior methodology, especially considering the prevailing global economic and financial market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Jeanette Project *(Continued)*

The Company therefore reports the FS as representing the outcome of the work done in respect of Phase 1 of the Jeanette Project with a life of mine of 22 years. Accordingly, the Company will consider the timing of the feasibility work for Phase 2 of the Jeanette Project at a future date. Highlights from the results of Phase 1 of the Jeanette Project FS are as follows:

Jeanette Project FS Highlights – Phase 1

Gold Recovered over Life of Project	2.89Moz
Initial Construction Capital Cost Estimate (2019 terms)	US\$523.5m
Total Capital Cost over Life of Project (2019 terms)	US\$646.6m
Capital Efficiency	US\$4,017/oz
After-tax NPV at 5% Discount rate	US\$509.9m
After-tax IRR	14.1%
Life of Mine	22 years
Payback	8.7 years
Cash Operating Costs	US\$471/oz
Profit Margin	46.2%
AISC	US\$666/oz
AIC	US\$694/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.

Expenditure on the Jeanette Project for the period ended 30 September 2022 was as follows:

	ZAR million
Consultants & service providers	1.04
Staffing	3.22
Overheads	0.56
Total	4.82

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Pakistan Project

Reko Garok Gold Minerals (Private) Limited (“The Pakistani Target Company”)

On 28 December 2016, Bright Quality Management Limited as purchaser (the “Purchaser”), which is a wholly-owned subsidiary of the Company, the seller and the guarantor entered into the sale and purchase agreement (the “Agreement”), pursuant to which the Purchaser has conditionally agreed to purchase, and the seller has conditionally agreed to sell the entire issued share capital of the BVI Target Company, for the consideration of HK\$146,000,000 (the “Proposed Acquisition”). The guarantor has agreed to guarantee the seller’s obligations under the Agreement.

Upon completion of the Proposed Acquisition, the Company would indirectly hold a 100% of the issued share capital of the BVI Target Company and indirectly 21% of the issued share capital of the Pakistani Target Company. As a result of the Proposed Acquisition, the BVI Target Company would become a wholly-owned subsidiary of the Company. The Pakistani Target Company holds an exploration license for copper, gold and associated minerals in Balochistan, Pakistan.

The Purchaser and the seller subsequently entered into an addendum on 25 June 2019 (the “First Addendum”) and 26 June 2020 (the “Second Addendum”) respectively to extend the long stop date of the Proposed Acquisition. Details of the First Addendum and Second Addendum have been disclosed in the announcements dated 25 June 2019 and 26 June 2020 respectively.

On 25 June 2021, the Group decided not to proceed with the Proposed Acquisition and entered into a termination agreement (the “Termination Agreement”) with the seller and the guarantor to terminate the Proposed Acquisition (the “Termination”). Pursuant to the Termination Agreement, the Proposed Acquisition was terminated with effect from the date of the Termination Agreement, and the Group and the seller released each other from their respective obligations. Following the Termination, HK\$30,000,000 of the deposit has been refunded to the Group, while the seller and the guarantor undertook to refund the remaining HK\$30,000,000 of the deposit (the “Remaining Deposit”) on or before 31 December 2021. With regard to the negotiation amongst the Purchaser, the seller and the guarantor after 31 December 2021, an agreement was reached and on 27 June 2022, the Purchaser entered into an addendum with the seller (the “Addendum to Termination Agreement”). Pursuant to the Addendum to Termination Agreement, the Purchaser, the seller and the guarantor agreed to extend the repayment date for the refund of the Remaining Deposit on or before 31 December 2022. Details about the Termination are set out in the Company’s announcements on 25 June 2021 and 27 June 2022 respectively.

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT

The Evander Project

Contract for the Construction of the Evander Project

In 2019, the Company decided not to commit further time and resources to the contract for the Evander Project. This decision was underpinned by the FS results of the Jeanette Project released on 30 August 2019, as a result of the phased approach adopted by the Company and MCCI, would require a lower amount of capital funding and a faster lead-time to first production. The capital cost and lead-time to first production are fundamental to how potential investors look at large-scale gold projects and have a significant bearing on their appetite to commit funding. Given the Jeanette Project's lower capital cost and shorter lead-time to production, the Company's efforts have therefore been focused on advancing the EPC Contract for the Jeanette Project.

The estimated time frame for the remaining work for the Evander contract will be 12–18 months from the date of a decision to continue. The Company will keep its shareholders informed of any material development in this regard in due course.

The EIA/EMP Amendment Process

The full Environmental Impact Assessment ("EIA") for the Evander Project requires amendment to reflect the positive changes regarding tailings disposal and an application to the Department of Mineral Resources will lead to subsequent amendment of the Mining Works Program and Environmental Authorization that form part of the Evander Project Mining Right held by TGS.

The Company already has an Environmental Authorisation for the dewatering and construction phase of the Evander Project. In addition, the Water Use Licence ("WUL") for abstraction, transport and disposal of excess mine water during the dewatering and construction phase has also been issued.

The amendment of the EIA/Environmental Management Programme ("EMP") and final WUL for the Evander Project relates to the production phase which will start approximately 6 years after commencement and, as such, is not on the critical path for project construction.

The commencement of the environmental specialist studies will be postponed in light of the decision taken in 2019 to put off further work on the Evander Project. The studies will be initiated once the Board confirms the timetable of the Evander Project construction.

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT

(Continued)

The Jeanette Project

As mentioned earlier on 30 December 2019, TGFS, the holder of the Mining Right over the Jeanette Project, entered into the EPC Contract with MCC with an Accepted Contract Amount of US\$521,546,000. Pursuant to the EPC Contract, (i) TGFS has agreed to engage MCC and MCC has agreed to undertake the works of the Jeanette Project on engineering design, procurement and construction basis for the initiation, execution and completion of the works and the remedying of any defects therein; and (ii) the EPC Contract will be split into two contracts, one being between TGFS and MCC for the Engineering and Procurement portion, and the other being between TGFS and MCC's South African branch for the Construction portion.

In order to progress with the engineering work for the Jeanette Project, the Company and MCC agreed to immediately commence with Basic Design for the Jeanette Project firstly through the conclusion of an agreement between the parties for the Basic Design. This entailed the entering into of a Supplementary Agreement to the EPC Contract and an addendum to the 2018 FS Service Contract, in order to facilitate the completion of the design work for long-lead items, the early works program and to determine the Lump Sum Offer. The addendum to the 2018 FS Service Contract has yet to be concluded due to the reasons detailed below. The final amount for the EPC Contract may differ from the Accepted Contract Amount of US\$521,546,000 as a result of any variations in scope that may arise during the Basic Design work. In addition, MCC will assist the Company to secure equity and debt financing for the EPC Contract for the Jeanette Project at the TGFS level from independent third parties, including but not limited to, strategic investors in the mining sector and Chinese banks.

During the period under review, the Company is still unable to commence the Basic Design of the Jeanette Project following the lifting of COVID-19 travel restrictions and requirements in South Africa given that various entry restrictions and quarantine measures are still imposed in the People's Republic of China (the "PRC"). Therefore, the Company has been unable to commence the Basic Design without physical visiting MCC and the technical team of MCC visiting the Jeanette Project. The Company and MCC continue to communicate on the Basic Design and to follow closely any changes to the travel restrictions in the PRC which may allow the commencement of the Basic Design. Hence, additional time is required for the Basic Design and to prepare for the finalization of the Lump Sum Offer, potential financing arrangements and the entering into of the Lump Sum Offer Supplementary Agreement.

Upon finalization of the Lump Sum Offer, the EPC Contract will be subject to the approval of shareholders. Please refer to the announcements dated 20 May 2020, 30 April 2021 and 23 December 2021 respectively for the details of the transactions contemplated under the EPC Contract. The Company will keep shareholders informed of any material development in this regard in due course.

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT

(Continued)

The Jeanette Project *(Continued)*

Disposal of HIL

During the period under review, there is no material progress for TGS to dispose of its 100% interest in HIL, whose sole asset is a mining right for coal in terms of MPRDA.

A Sale of Shares and Claims Agreement with a potential buyer terminated when the potential buyer was unable to provide adequate proof of funding. The broker appointed to the while oversee the disposal of HIL and to canvas fresh potential buyers has been unsuccessful.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2022, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 24 (31 March 2022: approximately 24). The Group's remuneration policy is primarily based on their performance, working experience and the prevailing market conditions. Employee benefits include mandatory provident fund (pension) and share option scheme, etc.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 4 January 2010 (the "2010 Share Option Scheme") and its mandate limit was refreshed on 21 November 2014. The 2010 Share Option Scheme had been expired on 3 January 2020.

A resolution was passed at a special general meeting of the Company held on 28 August 2020 to approve and adopt the new share option scheme (the "2020 Share Option Scheme"). The maximum number of shares which may be issued under the 2020 Share Option Scheme is 1,815,147,198 shares (representing 10% of the issued share capital of the Company on 28 August 2020). The principal terms of the 2020 Share Option Scheme were summarized and set out in the 2022 annual report of the Company. No share options has been granted or exercised under 2020 Share Option Scheme as at 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2022, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares			Percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Total interests	
Christiaan Rudolph de Wet de Bruin	244,650,717	–	244,650,717	1.30%

Save as disclosed above, as at 30 September 2022, so far as is known to the directors and chief executives of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2022, the following shareholders had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Name of shareholders	Number of shares held	Underlying shares of equity derivatives	Total interests	Percentage of issued shares as at 30 September 2022
Goldborn Holdings Limited	2,001,362,075	–	2,001,362,075	11.03%
Mandra Materials Limited ^(note 1)	777,434,722	–	777,434,722	4.28%
Mandra Esop Limited ^(note 1)	16,238,369	–	16,238,369	0.09%
Woo Foong Hong Limited ^(note 1)	276,530,727	–	276,530,727	1.52%
Gold Commercial Services Limited ("GoldCom") ^(note 2)	996,634,384	–	996,634,384	5.49%

Notes:

- (1) Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the shares held by Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited for the purpose of SFO.
- (2) On 8 September 2011, the Company issued 1,130,141,116 shares of the Company to GoldCom for the purpose of acquiring 21,174,316 shares of TGL from South African resident shareholders of TGL. On 21 November 2014, the Shareholders passed a special resolution to grant each of the TG Optionholders the right to sell a maximum number of 23,645,210 TG Shares to the Company or GoldCom for a maximum of 1,262,020,649 New Put Option Consideration Share (Please refer to the Company's circular dated 2 November 2014). The abovementioned rights were expired on 7 September 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(Continued)*

(b) Short positions in shares and underlying shares of the Company

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

Save as disclosed herein, as at 30 September 2022, no person, other than the directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' interests in securities" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company had complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2022, save as the deviation from code provisions C.2.7 and F.2.2 which is explained as follows:

- Under code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. The Co-chairmen have delegated the secretary to the Board to gather any concerns and/or questions that the independent non-executive directors might have and to report to them so that the Co-chairmen will arrange a meeting with them.
- Under code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. One of the co-chairmen of the Board, Mr. Christiaan Rudolph de Wet de Bruin, was unable to attend the annual general meeting of the Company held on 26 August 2022 (the "AGM") due to other business engagement. Ms. Cheung Pak Sum, another co-chairman of the Board and respective chairmen of the audit, remuneration and nomination committees of the Company were present and were available to answer questions at the AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. 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 for the six months ended 30 September 2022.

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 possess inside information of the Company.

No incidents of non-compliance of the Written Guidelines by the relevant employees were noted by the Company.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters. The audit committee has also reviewed and discussed with the management of the Company the unaudited consolidated financial statements for the six months ended 30 September 2022.

PURCHASE, SALE OR 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.

By Order of the Board
Taung Gold International Limited
Cheung Pak Sum
Co-chairman & Executive Director

Hong Kong, 28 November 2022