

**LIONGOLD CORP LTD**  
**COMPANY ANNOUNCEMENT**

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**RESPONSE TO SGX QUERIES ON THE ANNOUNCEMENT ON MATERIAL DIFFERENCES  
BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS**

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LionGold Corp Ltd ("**LionGold**" or the "**Company**") has received the following queries from Singapore Exchange Limited ("**SGX**") in relation to the announcement on material differences between unaudited financial statements and audited financial statements made on 27 October 2014 ("**Announcement**").

SGX Query

Please provide further information on the following in an announcement to be released via SGXNET by 3 November 2014. In your announcement, please disclose our question and your corresponding answer to enable investors to understand the matter raised by the Exchange.

It was disclosed on page 2 of the Announcement that the material variance on other expenses totalling S\$48.49 million was mainly due to adjustments to impairment on available-for-sale financial assets, additional adjustments to impairment on goodwill, and exploration and evaluation expenditure. The available-for-sale financial assets comprise the Group's investments in Citigold Corporation Limited, Unity Mining Limited and Industrial Power Technology Pte. Ltd. The additional impairment on exploration and evaluation expenditure ("**E&E**") was mainly attributed to the Signature Metals Limited group where further impairment was made to the Konongo Gold Project.

- (i) What were the reasons for the Company's under provision of impairment losses in its unaudited full year results?
- (i) Please elaborate and provide details on how the impairment losses came about for each of the mining assets and/or investment mentioned.

Company's Response

- (i) It was disclosed in the announcement dated 27 October 2014 that the under provision of impairment losses were mainly attributed to the additional impairment losses recognised in the E&E assets in Signature Metals Limited and the impairment of the Company's investments in Citigold Corporation Limited and Unity Mining Limited.

Signature Metals Limited - Konongo Gold Project

The assessment of impairment to the carrying values of assets and liabilities involves the following:- (1) preparation of a discounted cashflow model for our Konongo Gold Project, which is owned by Signature Metals Limited ("**SML**"), through its 70% owned subsidiary, Owere Mines Ltd, and (2) SML to provide an estimate of the funds needed to commit to develop the Konongo Gold Project. The funding was to be provided by LionGold Corp Ltd ("**LionGold**" or the "**Group**"), as SML has no source of revenue from its operations.

When LionGold was working on the valuation exercise for the Konongo Gold Project in the period February to April 2014, the discounted cashflow model assumed that LionGold would support the cash requirements of approximately US\$30 million for the project. LionGold made an announcement on 31 March 2014 to raise up to S\$40.6mil from a fund raising exercise comprising a placement of 37.3 million shares and the issuance of S\$35 million of convertible bonds, of which LionGold would allocate a portion of the funds raised for development of the Konongo Gold Project. On 2 April 2014, the Commercial Affairs Department visited the LionGold's office (please refer to the Company's announcement dated 2 April 2014 for details) and this resulted in delays in the fund raising exercise, and created uncertainties that LionGold would have the funds to commit to develop the Konongo Gold Project. This required the Group to reassess the discounted cashflow model based on the expected delays in the funding for the project and in the process, resulted in a delay in the Group's ability to assess the impairment of SML's assets as at 31 March 2014. As such, at the point of the unaudited full year results announcement, the impairment assessment in relation to the Konongo Project could not be completed.

#### Available-for-sale financial assets

The impairment losses recognised for the available-for-sale financial assets in Citigold Corporation and Unity Mining Limited were in line with the rapid decline in the gold price. This was even more apparent as the share prices of these investments did not recover and continue to decline in the months following 31 March 2014.

As disclosed in LionGold's FY2014 annual report, these investments continued to experience prolonged and significant decline in share price. Based on the market share price and the total outstanding number of shares as at 21 October 2014, the additional impairment loss on these available-for-sale financial assets would have been S\$10,778,000.

#### (ii) Goodwill and exploration and evaluation expenditure

As disclosed in LionGold's FY2014 annual report, the impairment losses were recognised as it was assessed that the recoverable amounts or fair values of each of these cash-generating units were lower than their carrying values as at 31 March 2014.

The Fair Value of the Konongo Gold Project had been impacted primarily by the decline in gold price as well as the expected delay in the production commencement date.

The Fair Value of the Amayapampa Gold Project (Bolivia) had been impacted primarily by the change in valuation approach from a combined methodology of a discounted cash flow approach and a market comparable transaction approach to one which relied solely on market comparable transaction values.

The Fair Value of Golden Feather - Penny's Find (Western Australia) had been most impacted by the decline in the gold price assumption.

The Fair Value of Fifteen Mile Stream – Beaver Dam (Nova Scotia, Canada) had been most impacted by the decline in the gold price assumption.

Available-for-sale financial assets

The impairment losses recognised on the available-for-sale financial assets in Citigold Corporation Limited, Unity Mining Limited and Industrial Power Technology Pte Ltd were attributed to a prolonged and significant decline in the fair value of these investments.

**BY ORDER OF THE BOARD**

Tan Soo Khoon Raymond  
Executive Director  
3 November 2014