

LIONGOLD CORP LTD

COMPANY ANNOUNCEMENT

APPLICATION FOR EXTENSION OF TIME TO HOLD THE ANNUAL GENERAL MEETING OF THE COMPANY

1. INTRODUCTION

LionGold Corp Ltd (the “**Company**”) wishes to announce that the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) has on 20 June 2014 issued a no objection letter to the Company’s application for an extension of time of 3 months from 31 July 2014 to 30 October 2014 for the Company to hold its Annual General Meeting (“**AGM**”) for the financial year ended 31 March 2014 (“**FY2014**”), subject to the following conditions:

- (a) the Company announcing the period of extension granted, the reasons for seeking the extension of time and the conditions as required under Rule 107 of the Listing Manual of the SGX-ST (the “**Listing Manual**”);
- (b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the Bye-laws of the Company; and
- (c) the Company convening the AGM by 30 October 2014 subject to approval of the same from the relevant regulatory authority in Bermuda (where applicable).

2. REASONS FOR SEEKING EXTENSION OF TIME FOR HOLDING OF THE AGM

In relation to paragraph 1(a) of this Announcement, the Company’s reasons for an extension of time for the holding of the AGM for FY2014 are set out below.

Impairment assessment on Bolivian mining assets

The Company has had difficulty providing certain information to the auditors of its Bolivian subsidiary, Minera Nueva Vista S.A. (“**MNV**”), the entity that owns the Amayapampa Gold Project (the “**Project**”), which has resulted in the Company’s group auditors, PricewaterhouseCoopers LLP (“**PwC**”), being unable to complete the full audit of the LionGold group’s financial results for FY2014 (the “**FY2014 Results**”).

The Company owns mining tenements in Bolivia through MNV. Ernst & Young Ltda (“**E&Y**”), the Bolivian auditors of MNV are unable to satisfy themselves with the Company’s impairment assessment on the Bolivian mining assets as they are awaiting critical information from the Company, which include the Company’s plans for the Project.

Upon acquisition of MNV in December 2012, the Company developed a 2 stage development strategy for the Project. The first stage would involve the construction of a 1,500 tons per day gold processing plant that would require capital and on-going expenditures of up to US\$60 million and the second stage (commencing from year 5 of the Project) would involve the construction of a 4,100 tons per day gold processing plant that would require capital

expenditures of approximately US\$130 million. As a result of the recent decline in gold prices and the substantial investment required for the first stage of the development strategy for the Project, the Company decided to make last minute changes sometime in late May 2014 to the development strategy for the Project to reduce the risk of the investment. The second stage will have to be re-assessed as a result of the change in development strategy for the Project.

The Company commenced work on the revised development plan for the Project in late May 2014. The revised development plan would involve a significantly lower investment amount of around US\$20 million or less. This is a material change in the eyes of the auditors as there is a need to reassess the key assumptions used in relation to the impairment tests. These key assumptions include the project life, capital expenditure and operational expenditure, all of which would have material impact on the fair value of the Project. As this is a relatively complex process, certain amount of effort and time would be required. The Company is hopeful of finalising the revised development plans in the next 6 weeks.

Upon finalisation of such plans and key assumptions, a relevant valuation method has to be adopted for the purpose of the impairment tests. This may require the Company to approach external experts and consultants to prepare a valuation report. E&Y would need time to review the supporting information used in this valuation report. The preparation and review process required by E&Y is likely to take up to another 4-6 weeks after the finalisation of the revised development plan. As the Company would need to adhere to the disclosure requirements as stipulated by the Singapore Financial Reporting Standards in its Annual Report, this will warrant another round of review by PwC.

Therefore, the Company estimates that a total of 10-12 weeks will be required to arrive at an acceptable valuation for the Project.

Social Licenses in respect of the Project

E&Y is unable to satisfy themselves that the Company's Bolivian subsidiaries have recognised the relevant social obligations in the accounting books. As disclosed by the Company on page 97 of its annual report for the financial year ended 31 March 2013, MNV is required to obtain acceptance from affected local communities, referred to as "Chayantaca Ayllu", in the Amayapampa area prior to the commencement of any mining activities. Bolivian laws require mining companies to obtain a social license from the Mining and Metallurgy Ministry ("**MMM**") to operate. This entails achieving broad and genuine social acceptance of the proposed activities among the communities ("**Cabildos**") that reside in and around the mine's operations by way of a social contract with the Cabildos. Prior to the Company acquiring the Project, the previous owners of the Project entered into several social contracts in 2005, 2010 and 2011 with various Cabildos. These social contracts were negotiated without involvement of the MMM. All of these social contracts may not be legally binding because approvals from the MMM was not obtained. MMM has stipulated seven Cabildos with which social contract needs to be achieved in respect of the Project.

Since the Company acquired the Project, its local management, together with the Community Relations Manager have been working on settling a lot of legacy issues and working with the various Cabildos and MMM to achieve fresh social contracts, using the past social contracts as a basis for negotiations. Substantial progress has been made in obtaining support of all seven Cabildos stipulated by the MMM for the Project.

Finalisation of the social license depends in part on settling on the scope of the project development and its impact on the wider community. As stated above, the Company's management is currently reviewing a reduction in the proposed project production rate, its capital cost and the time it will take to bring the project into production. This revised project development plan will take around 4-6 weeks to finalise.

The Company's local management is currently working on a revised costing to quantify the social license, taking into account the latest negotiations with the various Cabildos. The work is complicated because this involves providing for basic services to the Cabildos for a reliable and integrated health care system, providing the children with education, support cultural activities and development of community facilities, improve their environmental protection standards and land access negotiations. The Company will then have to approach all the Cabildos with the revised terms of the social contract and agree on the final terms and get the social contracts signed by the leaders of the seven Cabildos. The Company envisages that this process may take more than 6 months to complete, hence this will not be completed before the Company holds its FY2014 AGM. However, the Company is trying to work with E&Y to provide them with sufficient evidence to quantitatively substantiate the cost of these social contracts (thereby making a provision for the cost of the social contracts) so that they can form an audit opinion on the accounts of the Bolivia subsidiaries for the audit for FY2014.

The Company envisages taking around 8-10 weeks to work through the negotiation process to prepare a supportable costing estimate for the social obligations and another 2 weeks for E&Y to review and discuss the cost estimates. Once this process is completed, E&Y will have sufficient evidence to quantify the financial impact of these social obligations and give an audit opinion for the Company's FY2014 audited accounts.

Without resolving the key issues above, the Company's auditors are unable to finalise the required scope of work and materiality levels in relation to the audit of the FY2014 Results. As such, they are not in a position to issue their auditor's report in respect of the FY2014 Results in time for the Company to hold its AGM by 31 July 2014.

The Company's management is committed to completing the above outstanding issues within the next 3 months and to holding the AGM on or before 30 October 2014.

3. OTHERS

In relation to paragraph 1(b) of this Announcement, the Company has provided such written confirmation to the SGX-ST on 20 June 2014.

In relation to paragraph 1(c) of this Announcement, no application is required to be made to any regulatory authority in Bermuda. The Company will make an announcement on the date of the AGM in due course.

By Order of the Board

Tan Soo Khoon Raymond
Executive Director
20 June 2014