

LIONGOLD CORP LTD
(Incorporated in Bermuda)
(Company Registration No. 35500)

**EMPHASIS OF MATTER ON THE MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY
THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL
PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2020 - RESPONSES TO SGX QUERIES**

*Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the Company's announcement dated 2 October 2020 ("**Announcement**").*

LionGold Corp Ltd (the "**Company**") has received the following queries from the Singapore Exchange Securities Trading Limited (the "**SGX Queries**") in relation to the emphasis of matter on the material uncertainty related to going concern by the Auditor on the 2020 Audited Financial Statements.

The board of directors (the "**Board**") of the Company has provided the following responses to the SGX Queries.

SGX Query 1:

1. Please provide more details on the cash flow forecast of the Group:
 - (a) What are the key assumptions of the cash flow forecast?
 - (b) In particular, please elaborate on the assumptions guiding the revenues forecasted to be earned in the next 12 months.
 - (c) What are the key assumptions on additional funding, loans to be taken up by the Group, if any, for the next 12 months?
 - (d) Did the auditors review the cash flow forecast and assumptions adopted? What are the auditors' views and justifications on the reasonableness of the assumptions, and as a result, the EOM on material uncertainty with regards to going concern.
 - (e) Please provide AC's views and justifications as to reasonableness of the assumptions.

Response:

- (a) The key assumptions of the cash flow forecast include:

Ore production

The plan is to mine 328,000 tonnes of ore at a head grade of 5.66 g/t Au for 59,685 oz of gold hauled. Production is planned to occur in seven mining areas: Victoria, Britannia, Llanberris, Golden Point, Canton, Sovereign and Normanby. In addition to the seven mining areas scheduled, a significant portion of production for the last two will be derived from a variety of sources summarised as "exploration targets". These are zones of identified mineralisation, which at the time of this announcement were not delineated to a sufficient level of confidence to be classified as Mineral Resources under the JORC Code (2012) guidelines. It is anticipated that delineation of these targets will be completed in the first half of the financial year.

Gold price and exchange rate

The forecast exchange rate over the year to 30 June 2021, is AUD1 to USD0.73 based on National Australia Bank Limited's forecast. Gold future price is assumed to be USD1,900/oz Au or AUD2,603/oz Au based on internal assessments and other relevant sources.

Capital costs

Capital mine development costs totalling AUD6.2 million is required to support the development and extraction of the targeted ore sources, at a budgeted cost of AUD4,283.4 per metre of advance. Site sustaining capital and productivity improvements totalling AUD 8.6 million has also been budgeted, with the larger items including:

- Maintaining (through replacement or rebuilds) some of the underground mobile equipment such as trucks, loaders and light vehicles of AUD4 million;
- Tailings storage facility related costs of AUD2.3 million; and
- Plant auto samplers ball mill circuit of AUD0.5 million.

Operating costs

Budget expenditure across all departments has been worked up from cost element/first principles basis. Current costs have been used where known (salaries and wages, and key consumables – power, cyanide, diesel, explosives, ground support, tyres etc.).

Royalties

Gold mineral royalties are now payable to the State, in Victoria, Australia from 1 January 2020 at a rate of 2.75% on gold production. Further, as part of the terms agreed upon during the acquisition of the mine in 2010, there is a 2.5% royalty on gold production payable to Newcrest Mining Ltd.

Company tax

The current Australian Company Tax rate of 30% on net profit, payable to the Australian Federal Government is applicable.

- (b) Please refer to response in 1(a)(i) and 1(a)(ii).
- (c) The Company has not made assumptions for additional funding or loans in the preparation of its revenue and cash flow forecasts - all funds are assumed to be derived from internal sources.
- (d) The Auditor has reviewed the forecasts and assumptions adopted by the management in the preparation of cash flow forecast. They have also had discussions with management, the Board and the Audit Committee (“AC”) and have no disagreement over the assumptions used in the preparation of the cash flow forecast. Nevertheless, the Auditor has highlighted that certain factors as disclosed in Note 2(a) to the 2020 Audited Financial Statements (an extract of which was reproduced in the Announcement) might indicate the existence of a material uncertainty that may cast significant doubt on the Group’s and the Company’s ability to continue as going concerns.

For the reasons disclosed in Note 2(a) to the 2020 Audited Financial Statements, the Board believes that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis and the Auditor’s opinion is not modified in respect of this matter.

- (e) The AC has held discussions with management on the revenue and cash flow forecasts. In preparing the revenue and cash flow forecasts of the Group and the Company, management has relied on historical production data and took into account certain economic and industry specific factors and developments. In particular, key assumptions such as ore production, capital costs, operating costs, royalties and company tax were based mainly on historical production data as well as existing rates and costs. The assumption on gold price of AUD2,603 took into account the average gold price received for the financial year from 1 April 2019 to 30 June 2020 of AUD2,246 and the current trend of gold price observed by management.

In view of the above, the AC is of the view that the assumptions used in the preparation of the revenue and cash flow forecasts are reasonable.

SGX Query 2:

Please provide the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment.

Response:

As set out in Note 2(a) to the 2020 Audited Financial Statements (an extract of which was reproduced in the Announcement), gold production has been classified as an essential business in Australia and so operations are ongoing. Although there is uncertainty around future developments of this matter which may affect the Group's ability to deliver the forecast production for the next 12 months, the Group has put in place contingency plans both to protect the workforce and ensure that there are sufficient personnel to continue operations.

On that basis, management has prepared a cash flow forecast to support their assessment that the Group and the Company will be able to continue as going concerns, including consideration of plausible downside scenarios. The key assumptions of the revenue and cash flow forecasts are as outlined in the Company's response to Question 1 above.

Further, the Group is taking prudent mitigating actions that can be executed in the necessary timeframe and which will protect liquidity. These include cancelling uncommitted capital expenditures over the period without having an impact on forecast production in the going concern period of assessment and identifying further reductions in operating costs and administrative expenses. Management has also taken the following measures to improve the Group's operational performance and financial position:

- (i) continuously seek improvements in the production efficiency of the Group's production facilities through technological enhancements and system re-engineering in order to further reduce the costs of production; and
- (ii) ongoing negotiations with key suppliers to reduce direct material costs in production.

After considering the measures and mitigating actions described above, the Board believes that the Group and the Company will be able to generate sufficient cash flows from the mining operations to meet the operating requirements of the Group's business, to fund the capital and exploration expenditure and to pay its debts as and when they fall due. In view of the foregoing, the Board is of the opinion that Group and the Company will be able to continue operating as a going concern.

SGX Query 3:

Please provide the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.

Response:

As set out in the Company's response to Question 2 above, the Board is of the opinion that the Group is able to continue operating as a going concern. Further, as at the date of this announcement:

- (i) no application has been filed with a court to place the Company or any of its subsidiaries under judicial management;
- (ii) no application has been filed with a court for the liquidation of the Company or any of its subsidiaries; and

(iii) the Company is able to reasonably assess its financial position and inform the market accordingly.

In view of the above, the Board is of the opinion that the Company's securities should not be suspended pursuant to Listing Rule 1303(3).

SGX Query 4:

Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Response:

The Board is continuously monitoring the Company's operations and receives reports from management in relation to the Company's performance and financial status, and nothing material has come to the Board's attention that warrants further disclosure to shareholders. In this regard, the Board confirms that to its best knowledge, sufficient information has been disclosed to shareholders to enable trading of the Company's shares to continue in an orderly manner.

BY ORDER OF THE BOARD

Yao Liang
Executive Director
7 October 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, W Capital Markets Pte. Ltd. (the "**Sponsor**").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr Chia Beng Kwan, Registered Professional, W Capital Markets Pte Ltd, 65 Chulia Street, #43-01 OCBC Centre, Singapore 049513, Telephone (65) 65133541.