Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of LionGold Corp Ltd and its subsidiaries (collectively referred to as the "Group") as set out on pages 42 to 110, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 March 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and balance sheet of the Company are properly drawn up in accordance with Financial Reporting Standards in Singapore ("FRSs") so as to present fairly, in all material respects, the consolidated financial position of the Group and financial position of the Company as at 31 March 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Qualified Opinion

1. Discontinued operations and disposal group held for sale

   As disclosed in Note 19(a) to the financial statements, the unaudited management accounts of Owere Mines Limited ("OML") were used to prepare the consolidated financial statements of the Group, as the audited financial statements of OML for the period from 1 April 2016 to the date when control is lost are not available. The loss of $45,804,000 (2016: $9,006,000) in respect of OML, prior to it ceasing to be a subsidiary and its consequential loss arising from loss of control was included in the loss from the discontinued operations, net of tax, in the consolidated statement of profit or loss.

   We were unable to obtain sufficient information and explanations to enable us to form an opinion as to whether the unaudited management accounts of OML used in the preparation of the consolidated financial statements of the Group, were prepared in accordance with Financial Reporting Standards in Singapore and in form and content appropriate and proper for the purpose of preparation of the consolidated financial statements of the Group and for the determination of the loss from the discontinued operations of the Group. Consequently, we were unable to determine whether any adjustments might be necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 March 2017 and the loss from the discontinued operations of the Group.

   Our independent auditor's report for the financial year ended 31 March 2016 contained a disclaimer of opinion, among others, on our inability to obtain sufficient appropriate audit evidence on a loss of $9,006,000 included in the loss from discontinued operations, net of tax for the financial year ended 31 March 2016 and the disposal group assets and liabilities amounting to $25,557,000 and $6,898,000 respectively at 31 March 2016, for the similar reason above. Our opinion on the current year's financial statements of the Group is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

2. Impairment of loan receivable

   As disclosed in Note 15 to the financial statements, included in the other receivables as at 31 March 2017 is a loan receivable of $2,627,000 (2016: $3,627,000) due from a third party, Annica Holdings Limited ("Annica"). In February 2016, the Company entered into a debt assignment agreement with Annica and Mr Lim In Chong ("Mr Lim") to assign the loan receivable to Mr Lim for a consideration of $3,200,000. The Group and the Company had recognised a full allowance for impairment loss on the loan receivable in the previous financial year as the directors are of the opinion that the recoverability of the loan is in doubt.

   Subsequently in December 2016, the Company recovered $1,000,000 of the loan receivable from Mr Lim. However, we were unable to obtain sufficient appropriate audit evidence to conclude on the recoverability of the remaining balance of the loan receivable and whether the full allowance for impairment loss provided on the loan receivable is appropriate. Consequently, we were unable to determine whether any adjustments might be necessary in respect of the accompanying financial statements for the financial year ended 31 March 2017.

Report on the Audit of the Financial Statements (cont'd)

Basis for Qualified Opinion (cont'd)

2. Impairment of loan receivable (cont'd)

   Our independent auditor's report for the financial year ended 31 March 2016 contained a disclaimer of opinion, among others, for the similar reason above. Our opinion on the current year's financial statements of the Group and the Company is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

3. Investigation by Commercial Affairs Department

   As disclosed in Note 3 to the financial statements, in April 2014, the Company and one of its subsidiaries were served notices by the Commercial Affairs Department ("CAD") of the Singapore Police Force in relation to an investigation into an offence under the Securities and Futures Act, Chapter 289. As the CAD has not provided details of its investigation, we were unable to ascertain (i) whether the investigation would have an impact on the Group's and the Company's ongoing business operations; and (ii) the significance of adjustments, if any, that may arise from the investigation, to the accompanying financial statements.

   Our independent auditor's report for the financial year ended 31 March 2016 contained a disclaimer of opinion, among others, for the similar reason above.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going concern

We draw attention to Note 2(a) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 March 2017, the Group's and the Company's current liabilities exceeded their current assets by $3,456,000 (2016: $14,072,000 excluding disposal group classified as held for sale and its associated liabilities) and $47,942,000 (2016: $48,582,000) respectively.

These factors 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. Nevertheless, for the reasons disclosed in Note 2(a) to the financial statements, the directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on going concern basis. Our opinion is not further modified in respect of this matter.

Emphasis of Matter

We draw your attention to Note 37(c) to the financial statements which describes the uncertainty in relation to potential claims arising from unsecured corporate guarantee provided to a customer in connection with a project granted to a former subsidiary. As of the date of this report, the directors confirmed that the customer has not made any claim against the Company on the corporate guarantee and thus no provision is required to be made to the accompanying financial statements. Our opinion is not further modified in respect of this matter.

Report on the Audit of the Financial Statements (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence with respect to the loss arising from discontinued operations and disposal group held for sale, the carrying amount of a loan receivable and the impact on the ongoing business operations and significance of adjustments, if any, that may arise from the CAD's investigation. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of non-current assets
(Refer to Notes 16, 21, 22 and 23 to the financial statements)

At 31 March 2017, the Group's net carrying amounts of exploration and evaluation expenditure, mining properties and property, plant and equipment were $5,287,000, $2,558,000 and $19,609,000 respectively and the Company's net carrying amount of investments in subsidiaries was $76,014,000. These non-current assets form a significant component, representing 54% and 99% respectively, of the total assets of the Group and the Company.

Management is required to assess whether there are facts and circumstances indicating that they should test the non-current assets for impairment. This involves significant judgement in the review of impairment indicators. If impairment indicators are identified, impairment test will involve the use of estimates and assumptions. These estimates and assumptions involved significant management judgement and are affected by future market and economic conditions.

Our audit procedures to address the key audit matter

We reviewed management's process in the assessment of whether there was any indication that these non-current assets may be impaired and their estimation of the recoverable amounts of these assets.

Our audit procedures focused on the assessment of the reasonableness of key assumptions and estimates such as forecasted revenue, forecasted operating costs and discount rate used in the computation of the recoverable amount using value-in-use method. We compared the forecasted revenue to external data such as gold market value and Mineral Resource and Ore Reserve estimates by qualified persons. We also engaged our internal valuation specialists to assist us in reviewing the reasonableness of the discount rate.

In addition, we assessed the sensitivity of the recoverable amount to reasonably possible changes in key assumptions, including gold price, discount rate, and operating costs. We evaluated the robustness of management's budgeting process by comparing the actual results to previously forecasted results.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

We further reviewed management's computation of the recoverable amount determined based on fair values less costs to sell. As part of our audit procedures, we considered the competency and objectivity of the external valuer engaged by the management in determining the fair values of certain underlying assets, and appropriateness of the valuation model.

We also reviewed the adequacy and appropriateness of the note disclosures made in the accompanying financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with FRSs, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr Khor Boon Hong.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

30 June 2017