EXTRACTS OF NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2 Summary of significant accounting policies

(a) Going concern assumptions

During the financial year, the Group reported a loss for the year of $50,211,000 (2016: $28,177,000) and as at that date, 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 liability) and $47,942,000 (2016: $458,582,000) respectively.

These factors indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group and the Company to continue as going concerns.

The directors of the Company however believe that the Group and the Company will be able to raise the necessary funds from the mining operations to enable the Group and the Company to repay their debts and fund their operations for the foreseeable future. In addition, on 29 June 2017, the Company entered into a debt restructuring agreement with its lender to defer the repayment of the restructured loan, as disclosed in Note 27, for a further 5 years from the date of the debt restructuring agreement, subject to the Company obtaining all the relevant approvals necessary in relation to the debt restructuring agreement. In the event that the Company is unable to obtain all the relevant approvals, the Bond Restructuring Agreement shall be extended by two years and the new final repayment date shall be 18 June 2020.

As such, the directors have determined that it is appropriate for the Group and the Company to adopt the going concern assumption in preparing the accompanying financial statements.

The financial statements have been prepared on the assumptions that the Group and the Company will continue as going concerns. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities or realise their assets in the normal course of business. Assets may need to be realised at amounts which could differ from the amounts at which they are currently recorded in the balance sheets and additional liabilities may arise. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made in the financial statements.

3 Critical accounting estimates, assumptions and judgements

Key sources of estimation uncertainty

Investigations by the Commercial Affairs Department

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, the management is 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.

15 Other receivables

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
VAT recoverable	**432**	353	**–**	–
Loan receivable	**2,627**	3,627	**2,627**	3,627
Sundry debtors	**1,161**	1,126	**916**	1,018
Less: Allowance for impairment loss	**(3,523)**	(4,533)	**(3,523)**	(4,533)
	697	573	**20**	112

The movement in the allowance for impairment loss of the other receivables is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Balance at the beginning of the financial year	**4,533**	531	**4,533**	531
Allowance for impairment loss	**–**	4,533	**–**	4,533
Write-back of allowance	**(1,010)**	(180)	**(1,010)**	(180)
Write-off	**–**	(351)	**–**	(351)
Balance at the end of the financial year	**3,523**	4,533	**3,523**	4,533

Loan receivable

Loan receivable relates to an amount due from a third party, Annica Holdings Limited ("Annica"). The loan arose from Songkhla Biomass Company Limited ("Songkhla"), a customer of Industrial Power Technology Pte. Ltd. ("IPT") which has made claims totalling $5,200,000 from the Company and Annica, as guarantors of performance securities in respect of the design, engineering, supply, construction, commissioning and testing contract entered into between Songkhla and IPT together with its 49% owned associated company, Industrial Power (Thailand) Co., Ltd, on grounds of project delays (the "SKB Claims"). As a result, the Company entered into two (2) deeds of settlement with Annica whereby the Company and Annica agreed to share the amount under the SKB Claims.

In connection with the aforesaid, the Company provided Annica with a loan of $3,627,000 during the previous financial year, to repay Annica's share of the SKB Claims and for IPT's working capital purposes. The loan is unsecured, interest-bearing at 8% per annum and is due and payable at the expiration of loan period on 22 October 2018.

In February 2016, the Company has entered into an Assignment of Term Loan Facility with Annica and Mr Lim In Chong to assign the unsecured term loan facility with Annica to Mr Lim In Chong 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.

In December 2016, the Company recovered $1,000,000 of the loan receivable from Mr Lim In Chong.

15 Other receivables (cont'd)

Sundry debtors

Included in sundry debtors of the Group and the Company is a receivable amount of $900,000 (2016: $1,000,000) arising from the disposal of subsidiaries, Ivy Bushes Holding Ltd and its subsidiaries in the previous financial year. In the previous financial year, the Group and the Company agreed to waive an amount of $1,650,000 and had written off this amount to profit or loss. During the financial year, an amount of $100,000 was recovered. The directors are of the opinion that the recoverability of the remaining balance is in doubt and the Group and the Company have recognised a full allowance for impairment loss on the remaining balance of $900,000 (2016: $900,000).

16 Investments in subsidiaries and amounts due from/(to) subsidiaries

	Company	
	2017	2016
	$'000	$'000
Investments in subsidiaries, at cost	**150,942**	150,942
Less: Allowance for impairment loss	**(74,928)**	(87,574)
Investments in subsidiaries, net	**76,014**	63,368
Due from subsidiaries	**88,763**	97,010
Less: Allowance for impairment loss	**(88,745)**	(96,187)
Due from subsidiaries, net	**18**	823
Due to subsidiaries	**(34,423)**	(27,932)

The amounts due from/(to) subsidiaries are non-trade, unsecured, interest-free and repayable in cash on demand. No part of the amount of $18,000 (2016: $823,000) due from subsidiaries is either past due or impaired.

The movement in the allowance for impairment loss of the investments in subsidiaries is as follows:

	Company	
	2017	2016
	$'000	$'000
Balance at the beginning of the financial year	**87,574**	94,592
Disposal of subsidiaries	**–**	(5,534)
Allowance for impairment loss	**–**	7,550
Write-back of allowance	**(12,646)**	(9,034)
Balance at the end of the financial year	**74,928**	87,574

During the financial year, management performed impairment tests for the investments in certain subsidiaries as these subsidiaries had been persistently making losses. Full allowance for impairment loss of $Nil (2016: $7,550,000) was recognised to write down these investments.

16 Investments in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

During the financial year, a reversal of the allowance for impairment of $12,646,000 (2016: $9,034,000) was recognised to write-back the net carrying amount of investment in Castlemaine Goldfields Pty Ltd ("CGT") to the recoverable amount at the balance sheet date as CGT was profitable and generated positive cash inflow from operating activities. The recoverable amount of CGT of $76,013,000 (2016: $63,367,000) was determined based on its fair value less cost to sell. The fair value less cost to sell is determined based on adjusted net assets value of CGT, which is determined by taking into account the fair values of underlying assets and liabilities of the CGT. This fair value measurement is categorised as a Level 3 fair value in the fair value hierarchy based on the inputs in the valuation technique used.

The movement in the allowance for impairment loss of the amounts due from subsidiaries is as follows:

	Company	
	2017	2016
	$'000	$'000
Balance at the beginning of the financial year	**96,187**	92,689
Disposal of subsidiaries	**(12,528)**	(2,680)
Allowance for impairment loss	**4,612**	6,315
Exchange differences	**474**	(137)
Balance at the end of the financial year	**88,745**	96,187

The Company has impaired $88,745,000 (2016: $96,187,000) of the amounts due from subsidiaries as management considered the relevant amounts to be not recoverable.

16 Investments in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of company and country of incorporation/operation	Principal activities	Percentage of equity held directly		Percentage of equity held indirectly	
		2017 %	2016 %	**2017 %**	2016 %
Held by the Company					
Think Power Pte. Ltd. [(a)] Singapore	Investment holding	**100**	100	**–**	–
LionGold Investments Pte. Ltd. [(a)] Singapore	Investment holding	**100**	100	**–**	–
LionGold Corp (Singapore) Pte. Ltd. [(a)] Singapore	Investment holding	**100**	100	**–**	–
Signature Metals Limited [(b)] Australia	Investment holding	**76.86**	76.86	**–**	–
Castlemaine Goldfields Pty Ltd [(b)] Australia	Gold mining	**100**	100	**–**	–
LionGold Australia Pty Ltd [(b)] Australia	Investment holding	**100**	100	**–**	–
LionGold Mining Canada Inc. [(c)] Canada	Investment holding	**100**	100	**–**	–
Held by subsidiaries					
Mornington Offshore Inc. British Virgin Islands	Investment holding	**–**	–	**–**	70
Emas Mali S.A. Mali	Gold exploration	**–**	–	**–**	70
Emas Keikoro S.A.R.L. Mali	Gold exploration	**–**	–	**–**	56
Owere Mines Limited Ghana	Gold exploration	**–**	–	**–**[*]	53.80
Uganda Minerals Pty Ltd [(b)] Australia	Gold exploration	**–**	–	**76.86**	76.86
Embuyaga Exploration Ltd [(c)] Uganda	Gold exploration	**–**	–	**76.86**	76.86
Balmaine Gold Pty Ltd [(b)] Australia	Gold exploration	**–**	–	**100**	100
Ironbark Mining Pty Ltd [(b)] Australia	Gold exploration	**–**	–	**100**	100

[(a)] Audited by Baker Tilly TFW LLP, Singapore.
[(b)] Audited by independent member firm of Baker Tilly International network in the respective country of incorporation.
[(c)] Not required to be audited under the laws of the country of incorporation.
[*] Refer to Note 19(a) for details.

16 Investments in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

Summarised financial information of subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI
31 March 2017		
Signature Metals Limited	Australia	23.14%
31 March 2016		
Signature Metals Limited	Australia	23.14%
Owere Mines Limited	Ghana	46.20%

The following are the summarised financial information of SML which includes consolidation adjustments but before inter-company eliminations. The summarised financial information of OML are included in Note 19.

Summarised Balance Sheet

	SML	
	2017	2016
	$'000	$'000
Non-current assets	**13**	15
Current assets	**128**	25,603
Non-current liabilities	**(2,192)**	(20,340)
Current liabilities	**(52,720)**	(61,048)
	(54,771)	(55,770)
Net liabilities attributable to NCI	**(12,674)**	(12,905)

Summarised Statement of Profit or Loss

	SML	
	2017	2016
	$'000	$'000
Profit/(loss) from continuing operations	**570**	(840)
Loss from discontinued operations	**(32,424)**	(9,800)
	(31,854)	(10,640)
Loss attributable to NCI	**(7,371)**	(2,462)

Summarised Cash Flows

	SML	
	2017	2016
	$'000	$'000
Cash flows used in operating activities	**(79)**	(1,136)
Cash flows used in investing activities	**–**	(1,445)
Cash flows from financing activities	**77**	1,888
Net decrease in cash and cash equivalents	**(2)**	(693)

19 Discontinued operations and disposal group classified as held for sale

(a) On 30 March 2016, the Board of Directors approved the plan to dispose or dilute its equity interest in OML to below 10%. Accordingly, the assets and liabilities related to OML have been presented as a disposal group held for sale as at 31 March 2016 and the results from OML is presented separately on the consolidated statement of profit or loss as "Discontinued Operations".

On 23 May 2016, SML entered into a separation agreement with its business partner, Talos in respect of OML. The effect of the separation agreement was to dilute SML's interest in OML from 70% (Group's effective interest was 53.80%) to 0.01%. Management is of the view that subsequent to the execution of the separation agreement and the resignation of SML's nominees from the Board of OML, SML no longer exercises any form of control over OML. Accordingly, OML has been derecognised from the Group with effect from 23 May 2016.

The unaudited management accounts of OML were used to prepare the consolidated financial statements of the Group and for the determination of the loss from the discontinued operations of the Group, as the audited financial statements of OML for the financial year ended 31 March 2016 and for the financial period from 1 April 2016 to the date when control is lost are not available.

The effect of the loss of control over OML on the cash flows of the Group is disclosed in Note A to the consolidated statement of cash flows.

21 Exploration and evaluation expenditure

	Group	
	2017	2016
	$'000	$'000
Cost		
Balance at the beginning of the financial year	**7,724**	99,268
Disposal of subsidiaries	**–**	(3,796)
Struck off of subsidiaries	**(3,426)**	–
Expenditure capitalised during the financial year	**1,278**	1,631
Return of exploration rehabilitation bond	**–**	(41)
Write-off	**(546)**	(2,081)
Reclassified to disposal group assets classified as held for sale	**–**	(84,995)
Exchange differences	**257**	(2,262)
Balance at the end of the financial year	**5,287**	7,724
Accumulated impairment		
Balance at the beginning of the financial year	**3,426**	70,137
Disposal of subsidiaries	**–**	(3,375)
Struck off of subsidiaries	**(3,426)**	–
Allowance for impairment loss	**–**	4,155
Write-off	**–**	(1,934)
Reclassified to disposal group assets classified as held for sale	**–**	(64,272)
Exchange differences	**–**	(1,285)
Balance at the end of the financial year	**–**	3,426
Net carrying amount		
Balance at the end of the financial year	**5,287**	4,298

Exploration and evaluation expenditure represent the acquisition costs and/or accumulation of exploration and evaluation activities in respect of areas of interest.

22 Mining properties

	Group	
	2017	2016
	$'000	$'000
Cost		
Balance at the beginning of the financial year	**30,869**	21,570
Additions	**7,309**	8,043
Exchange differences	**1,013**	1,256
Balance at the end of the financial year	**39,191**	30,869
Accumulated amortisation		
Balance at the beginning of the financial year	**25,911**	16,882
Amortisation (Note 8)	**9,620**	7,552
Exchange differences	**1,102**	1,477
Balance at the end of the financial year	**36,633**	25,911
Net carrying amount		
Balance at the end of the financial year	**2,558**	4,958

Mining properties represent the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced. Total mining properties cost is amortised over the estimated units of production.

23 Property, plant and equipment

	Freehold land $'000	Leasehold land and building $'000	Leasehold improvements $'000	Plant and machinery $'000	Office and electronic equipment $'000	Motor vehicles $'000	Field equipment $'000	Construction in progress $'000	Total $'000
Group									
2017									
Cost									
At 1 April 2016	5,049	4,344	349	33,898	978	805	4,924	1,611	51,958
Additions	–	–	–	1,168	6	–	106	5,499	6,779
Disposals/write-offs	–	–	(14)	(730)	(7)	(69)	–	–	(820)
Transfer	–	–	–	744	33	–	4,740	(5,517)	–
Exchange differences	165	143	–	1,086	22	24	162	52	1,654
At 31 March 2017	**5,214**	**4,487**	**335**	**36,166**	**1,032**	**760**	**9,932**	**1,645**	**59,571**
Accumulated depreciation									
At 1 April 2016	–	3,422	245	23,770	818	648	2,797	–	31,700
Charge for the year	–	655	70	5,559	98	79	1,109	–	7,570
Disposals/write-offs	–	–	(13)	(446)	(7)	(39)	–	–	(505)
Exchange differences	–	130	–	903	20	23	121	–	1,197
At 31 March 2017	**–**	**4,207**	**302**	**29,786**	**929**	**711**	**4,027**	**–**	**39,962**
Net carrying amount									
At 31 March 2017	**5,214**	**280**	**33**	**6,380**	**103**	**49**	**5,905**	**1,645**	**19,609**

23 Property, plant and equipment (cont'd)

	Freehold land $'000	Leasehold land and building $'000	Leasehold improvements $'000	Plant and machinery $'000	Office and electronic equipment $'000	Motor vehicles $'000	Field equipment $'000	Construction in progress $'000	Total $'000
Group									
2016									
Cost									
At 1 April 2015	5,153	4,434	349	35,901	1,063	1,201	5,165	3,367	56,633
Additions	–	–	–	–	20	–	–	2,586	2,606
Disposals/write-offs	–	–	–	(98)	(26)	–	–	–	(124)
Write-back of rehabilitation and preservation provision	–	–	–	–	–	–	(134)	–	(134)
Transfer	–	–	–	4,298	35	(54)	–	(4,279)	–
Reclassified to disposal group assets classified as held for sale	–	–	–	(5,394)	(95)	(315)	–	–	(5,804)
Disposal of subsidiaries	–	–	–	–	(2)	–	–	–	(2)
Exchange differences	(104)	(90)	–	(809)	(17)	(27)	(107)	(63)	(1,217)
At 31 March 2016	5,049	4,344	349	33,898	978	805	4,924	1,611	51,958
Accumulated depreciation									
At 1 April 2015	–	2,527	175	18,459	726	817	1,448	–	24,152
Charge for the year	–	931	70	7,597	217	138	1,356	–	10,309
Disposals/write-offs	–	–	–	(73)	(24)	–	–	–	(97)
Reclassified to disposal group assets classified as held for sale	–	–	–	(1,927)	(89)	(288)	–	–	(2,304)
Disposal of subsidiaries	–	–	–	–	(2)	–	–	–	(2)
Exchange differences	–	(36)	–	(286)	(10)	(19)	(7)	–	(358)
At 31 March 2016	–	3,422	245	23,770	818	648	2,797	–	31,700
Net carrying amount									
At 31 March 2016	5,049	922	104	10,128	160	157	2,127	1,611	20,258

27 Borrowings

	Group and Company	
	2017	2016
	$'000	$'000
Term loan	**–**	2,000
Restructured loan	**15,803**	17,805
	15,803	19,805
Presented on the balance sheet as:		
Current	**11,852**	19,805
Non-current	**3,951**	–
	15,803	19,805

Term loan

The term loan was unsecured and with an interest rate of 12% per annum. The term loan was due for repayment 6 months from 15 October 2015. The term loan has been fully settled during the financial year.

Restructured loan

On 22 May 2015, Premier Equity Fund Sub D ("PEFD") completed the purchase of the outstanding $23,630,000 (US$17,000,000) in aggregate principal amount of 9% convertible bonds due on 8 May 2015 from the then bondholder. On 19 June 2015, the Company entered into the Bond Restructuring Agreement with PEFD and its manager, Value Capital Asset Management Private Limited ("Value Capital") for the repayment of the outstanding bonds (the "Restructured Loan"). As at the date of the Bond Restructuring Agreement, an outstanding coupon sum of $954,000 (US$685,000) was also due and payable to PEFD. Pursuant to the Bond Restructuring Agreement, the Company paid an upfront amount of $2,780,000 (US$2,000,000) towards repayment of the Restructured Loan.

Based on the Bond Restructuring Agreement, the interest amount shall be fixed at $1,308,000 for the first 12 months of the agreement. Subsequently, the outstanding balance of the Restructured Loan shall bear interest at a rate of 6% (2016: 6%) per annum. All sums payable to the PEFD shall be converted into Singapore Dollar at an agreed exchange rate of US$1: $1.39 and all payments shall be made in Singapore Dollar. The Restructured Loan including outstanding coupon sum with a minimum payment of $2,500,000 every quarter starting from 17 September 2015 shall be repaid no later than 18 June 2017.

However, the Company did not make certain quarterly payments in accordance with the repayment term during the previous financial year. Thus PEFD was contractually entitled to request for immediate repayment of the outstanding Restructured Loan. Accordingly, the outstanding balance was presented as current liability as at 31 March 2016.

On 5 July 2016, the Company, PEFD and Value Capital entered into a supplemental agreement to the Bond Restructuring Agreement, further to which the final repayment date of the Restructured Loan was extended from 18 June 2017 to 18 June 2018. The accrued interest shall be aggregated to the balance sum of loan as at 19 June 2017 (the "Aggregated Sum"), and the Company will repay the Aggregated Sum along with interest payable at a fixed interest rate of 15% of the Aggregated Sum in four quarterly instalments by 18 June 2018. During the financial year, the Company has repaid approximately $2,000,000 (2016: $6,779,000) of the Restructured Loan.

27 Borrowings (cont'd)

On 29 June 2017, the Company entered into debt restructuring agreement with PEFD and Value Capital for the repayment of the Restructured Loan ("New Restructured Loan"). The repayment due date of the New Restructured Loan has been extended to 5 years from the date of the debt restructuring agreement, subject to the Company obtaining all the relevant approvals necessary to give effect to the debt restructuring agreement ("Maturity Date"). Based on the terms of the New Restructured Loan, the Company agrees to repay $1,000,000 in cash on 18 June 2019. Thereafter, the Company shall repay $750,000 on each date falling six months from 18 June 2019 up until the Maturity Date ("Scheduled Repayment"). PEFD shall, at its discretion, have the option to waive the Company's obligations for each of the Scheduled Repayments. Notwithstanding any waivers granted by PEFD, the Company shall repay, in aggregate, a minimum sum of $1,000,000 for every 12 month period from 18 June 2019 up until the Maturity Date. Upon obtaining the relevant approvals in relation to the debt restructuring agreement, PEFD has the option but not an obligation to subscribe for shares in the Company as a form of repayment of the New Restructured Loan. In the event that the Company is unable to obtain all the relevant approvals, the Bond Restructuring Agreement shall be extended by two years and the new final repayment date shall be 18 June 2020.

37 Contingent liabilities

(a) Sebb-Say Company Limited ("Sebb-Say") has made a claim against OML for the sum of US$176,250 (equivalent to approximately $238,000) being money owed to Sebb-Say for services rendered to OML. The claim also includes interest accrued since May 2013.

The Company has denied this claim and hearing has yet to commence. In the previous financial years, the Company's solicitors have opined that OML has a satisfactory chance of success in this matter. Accordingly, the amount of $238,000 has not been accrued for at 31 March 2016. During the financial year, there has been no update on this claim.

Pursuant to the separation agreement as disclosed in Note 19, the Company was released from all liabilities of OML.

(b) In the financial year ended 31 March 2015 ("FY2015"), the Company has been notified of a claim in relation to a proposed subscription for shares in another company amounting to approximately $2,369,000. The matter is under dispute and the Company's legal advisors are of the view that the Company has strong grounds to rescind the agreement. There has been no update since FY2015. As such, no provision was recognised at 31 March 2017.

(c) Potential claim on corporate guarantee

Prior to the disposal of IPT, the Company provided a corporate guarantee for the due performance of IPT's obligations under an Engineering Procurement Construction & Commissioning Turnkey Contract ("EPCC Contract") that IPT had entered into with a customer. Subsequently, IPT received a notice of termination from this customer stating that IPT was in breach and default of its obligations under the EPCC Contract. IPT is disputing that it was in breach and default of its obligations.

The Company's legal advisors have advised that in the event it receives a written demand from the customer, the Company will have to discharge its obligations under the corporate guarantee (be it payment of liquidated damages and/or performance of all outstanding obligations under the EPCC Contract), regardless of whether IPT is successful in proving its defense against the customer's claims.

37 Contingent liabilities (cont'd)

IPT had completed the engineering, procurement and construction of the power plant which IPT has received approximately $29,300,000 (equivalent of RM78,300,000), being approximately 90% of the EPCC Contract's original contract sum. As at 31 March 2017, according to the terms of the EPCC Contract, the exposure of the maximum liquidated damages is approximately $5,400,000 (equivalent of RM16,240,000 at the current prevailing exchange rate).

At the date of these financial statements, 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.

40 Guarantees

The table below shows the contractual expiry by maturity of the Group's and the Company's contingent liabilities and commitments. The maximum amount of the guarantee contracts are allocated to the earliest period in which the guarantee could be recalled.

	Group and Company	
	2017	2016
	$'000	$'000
	1 year or less	1 year or less
Corporate guarantee provided to a customer in connection with a project granted to a former subsidiary - unsecured	**27,445**	29,826
Financial guarantee provided to a supplier in connection with products purchased by a former subsidiary - unsecured	**245**	236
	27,690	30,062