

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

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**DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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*Unless otherwise defined herein or the context otherwise requires, all capitalised terms herein shall bear the same meanings as ascribed to them in the Company's circular to Shareholders dated 21 August 2015.*

In compliance with Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), LionGold Corp Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the independent auditors of the Company, Baker Tilly TFW LLP (the “**Auditors**”), have issued a disclaimer of opinion in the Independent Auditor's Report for the financial statements of the Company and the Group for the financial year ended 31 March 2016 (“**FY2016**”) (the “**Financial Statements**”).

A copy of the aforesaid Independent Auditor's Report, together with the extract of the relevant Notes to the Financial Statements, is annexed to this announcement.

**Board's Opinion**

The Board of Directors (the “**Board**”) of the Company would like to provide clarification on the following:

**(A) The Board is of the opinion that the Company will have sufficient working capital for the next 12 months and will be able to pay its debts as and when they fall due based on the following reasons:**

i) Balance amount to be raised from redeemable convertible bonds (“**RCBs**”)

Details of the Company's fund raising efforts in FY2016 are set out in Note 2 to the Financial Statements. Pursuant to the removal of the Minimum Conversion Price of S\$0.003 per Conversion Share, the Company may issue a balance of an aggregate principal amount of approximately S\$25,000,000 of the RCBs.

ii) Extension of time for repayment of Balance Sum

As disclosed in Note 27 to the Financial Statements, the Company did not make certain payments of the Restructured Loan during the financial year in accordance with the repayment terms. On 5 July 2016, the Company entered into a supplemental agreement with Premier Equity Fund Sub Fund D (the “**Bondholder**”) and Value Capital Management Pte. Ltd. (the “**Supplemental Agreement**”) in order to amend the Bond Restructuring Agreement as follows:

- (a) the final repayment date for the repayment of the outstanding Balance Sum and any interest accrued thereon has been extended from 24 months from the date of the Bond Restructuring Agreement to 36 months from the date of the Bond Restructuring Agreement (i.e. from 18 June 2017 to 18 June 2018);
- (b) in the event that the Company is unable to meet any Quarterly Payment until 18 June 2017, the same along with any accrued interest thereon shall be aggregated to the Balance Sum as at 19 June 2017 (the “**Aggregated Sum**”); and

- (c) the Company will repay the Aggregated Sum along with interest payable at a fixed interest rate of 15.0% of the Aggregated Sum in four (4) quarterly instalments to the Bondholder by 18 June 2018.

Please refer to the announcement released by the Company on the Supplemental Agreement today for further details.

iii) Operating cashflow from the Group's Australian Gold mining operations

The Group's Australian Gold mining operations have historically provided cashflow for the Group's on-going operating expenditure.

The Board has determined that it is appropriate for the Group and the Company to adopt the going concern assumption in preparing the accompanying financial statements.

The Group and the Company are exposed to certain material uncertainties in relation to guarantees provided amounting to approximately \$30,062,000 and contingent liabilities that could result in material financial obligations in future periods as further disclosed in Notes 38 and 42 to the Financial Statements. Details of this guarantee are provided in Note 42 to the Financial Statements. The Company is unable to elaborate further as there could be potential litigation arising from this issue. As at the date of this announcement, the management of the Company is unable to assess the financial impact of this guarantee, as such, it is disclosed as a material uncertainty.

**(B) The Board confirms that all material disclosures have been provided for trading of the Company's shares to continue. The Board also confirms that it is unaware of any information that would cause the Financial Statements to be false or misleading.**

**(C) Other matters raised by the Independent Auditors**

i) Opening balances

The Auditor's report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 March 2015 included a disclaimer of opinion on the existence of material uncertainties which may cast significant doubt about the ability of the Group and the Company to continue as going concerns, and inability to obtain sufficient appropriate audit evidence on a loss of \$6,119,000 in respect of a subsidiary included in the loss from discontinued operations. The extract of the basis for disclaimer of opinion is disclosed in Note 45 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 March 2015, the Auditors were unable to determine whether the opening balances of the Group as at 1 April 2015 were fairly presented. Since the opening balances as at 1 April 2015 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 March 2016, the Auditors were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 March 2016.

The Auditor's opinion on the current year's consolidated financial statements of the Group and the balance sheet of the Company is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

ii) Disposal group held for sale

Further to 23 May 2016, being the date of the separation agreement entered into between Talos Ghana Limited (“TGL”), Signature Metals Limited (“SML”) and Owere Mines Limited (“OML”), the then directors of OML who were appointed by SML resigned from the Board of OML with immediate effect and all responsibility for the operations of OML is currently concentrated in the Board of TGL. Accordingly, the Company has no access to the accounts of OML. As set out in the Company’s announcement dated 23 May 2016, the Konongo Gold Project (the “**Project**”) was on care and maintenance since November 2013 and drilling and exploration work had been suspended since mid-May 2014. By January 2016, the situation at the Project had deteriorated and there were risks of social, security and environmental problems. Around that period, there were reports of mine closures around the area and the retrenchment of thousands of mine workers. The Company also received frequent intrusions by illegal miners into the tenements of OML. Although such intrusions did not result in material financial losses to the Group’s gold resources, security risks existed and as a precaution, visitors were discouraged on site. The Company could not guarantee the safety of the external auditors on site.

iii) Impairment of loan receivable

During FY2016, the Group and the Company have recognised a full allowance for impairment loss on the loan receivable as the Board is of the opinion that the recoverability of the loan receivable is in doubt.

In addition, as disclosed in Note 15 to the Financial Statements, in February 2016, the Company had entered into a debt assignment agreement to assign the loan receivable to another third party for a consideration of \$3,200,000. As at 31 March 2016, the assignment had not taken place as it is subject to the fulfilment of conditions precedent.

An impairment assessment was done on the loan receivable in accordance with accounting standards and also taking into account that proof of funds for the repayment of the loan recoverable were not sighted. As and when payment is made by Mr Lim In Chong pursuant to the debt assignment agreement, the Company shall write-back the amount previously impaired.

The Independent Auditors were unable to conclude whether the full allowance for impairment loss provided on the loan receivable is appropriate. Consequently, the Independent Auditors were unable to determine whether any adjustments might be necessary in respect of the accompanying Financial Statements for FY2016.

Shareholders of the Company are advised to read the Audited Financial Statements in the Annual Report of the Company for FY2016 which will be despatched by 5 July 2016.

**Cautionary Statement**

**Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully and to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.**

**By Order of the Board**

Tan Soo Khoo Raymond  
Group Chief Executive Officer  
5 July 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.*

*The announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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.*

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