

# INDEPENDENT AUDITOR'S REPORT

*To The Members Of Liongold Corp Ltd (Incorporated in Bermuda with Limited Liability)*

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of LionGold Corp Ltd (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 44 to 122, which comprise the consolidated balance sheet of the Group and balance sheet of the Company at 31 March 2016 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 a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

#### 1. Opening balances

The independent 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, we 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, we 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.

Our 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.

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## **Report on the Financial Statements (cont'd)**

*Basis for Disclaimer of Opinion (cont'd)*

### **2. Going concern assumptions**

As disclosed in Note 2(a) to the financial statements, the Group reported a loss of \$28,177,000 for the financial year ended 31 March 2016 and as at that date, the Group's and the Company's current liabilities exceeded their current assets (excluding disposal group assets classified as held for sale and its associated liabilities) by \$14,072,000 and \$48,582,000 respectively.

As further disclosed in Notes 38 and 42 to the financial statements, the Group and the Company are exposed to certain material uncertainties in relation to guarantees provided and contingent liabilities that could result in material financial obligations in future periods.

In addition, 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 of the Singapore Police Force in relation to an investigation into an offence under the Securities and Futures Act, Chapter 289. As the Commercial Affairs Department has not provided details of its investigation, we are 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.

During the financial year, the Company entered into a bond restructuring agreement to restructure the repayment of their outstanding convertible bonds which were due on 8 May 2015 ("Restructured Loan") and subsequently entered into a subscription agreement with a fund and its manager for the issuance of redeemable convertible bonds ("RCB"). Notwithstanding these, the Company did not make certain payments of the Restructured Loan during the financial year in accordance with the repayment term. Management is currently in the process of negotiating for an extension of time to repay the quarterly payment of the Restructured Loan.

Additionally, as disclosed in Note 25 to the financial statements, the Company did not make certain payments during the financial year in accordance with the repayment term to a creditor under a deed of settlement. Management is currently in the process of negotiating for an extension of time for repayment.

There exists a material uncertainty on the ability of the Company to issue the RCB on a timely basis to repay the Restructured Loan and to settle the overdue payable under the deed of settlement.

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 believe that the Group and the Company will be able to raise the necessary funds from the RCB to enable the Group and the Company to repay their debts and fund their operations for the foreseeable future. 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 ability of the Group and the Company to remain as going concerns are therefore dependent on the above assumptions, which are premised on future events and market conditions, the outcome of which is inherently uncertain.

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*To The Members Of Liongold Corp Ltd (Incorporated in Bermuda with Limited Liability)*

## **Report on the Financial Statements (cont'd)**

*Basis for Disclaimer of Opinion (cont'd)*

### **2. Going concern assumptions (cont'd)**

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, and the Group and the Company may be unable to discharge their liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

We were unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the use of the going concern assumption for the preparation of the accompanying financial statements. As a result, 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 2016.

### **3. Disposal group held for sale**

As disclosed in Note 19(a) to the financial statements, the unaudited management accounts of a subsidiary, Owere Mines Limited ("OML") were used to prepare the consolidated financial statements of the Group, as the audited financial statements of OML for the financial year ended 31 March 2016 are not available.

As further disclosed in Note 19(a) to the financial statements, the assets and liabilities related to OML have been presented as a disposal group held for sale and the results from OML is presented separately on the consolidated statement of profit or loss as discontinued operations.

Total disposal group assets and total liabilities directly associated with disposal group related to OML and classified as held for sale in the consolidated balance sheet of the Group amounted to \$25,557,000 and \$6,898,000 respectively at 31 March 2016. Net loss of OML included in the loss from discontinued operations in the consolidated statement of profit or loss amounted to \$9,006,000 for the financial year ended 31 March 2016.

We were unable to perform audit procedures to obtain sufficient appropriate audit evidence with respect to the management accounts of OML which have been incorporated into the consolidated financial statements 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 2016.

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## **Report on the Financial Statements (cont'd)**

### *Basis for Disclaimer of Opinion (cont'd)*

#### **4. Impairment of a loan receivable**

As disclosed in Note 15 to the financial statements, included in the other receivables at 31 March 2016 is a loan receivable of \$3,627,000 due from a third party. During the financial year ended 31 March 2016, the Group and the Company have recognised a full allowance for impairment loss on the loan receivable. The directors are 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 has entered into a debt assignment agreement to assign the loan receivable to another third party for a consideration of \$3,200,000. As at the date of the accompanying financial statements, the assignment has not taken place as it is subject to the fulfilment of the conditions precedent.

We were unable to conclude 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 2016.

### *Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

### *Other Matter*

The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 March 2015 were audited by another independent auditor whose report dated 14 August 2015 expressed a disclaimer of opinion on those financial statements as detailed in Note 45 to the financial statements.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

1 July 2016