EXTRACTS OF NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2 Summary of significant accounting policies

(a) Going concern assumptions

During the financial year, the Group reported a loss for the year of $28,177,000 (2015: $61,339,000) 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, 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, 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 the management is 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.

On 22 May 2015, Premier Equity Fund Sub Fund D ("PEFD"), managed by Value Capital Asset Management Pte. Ltd. ("Value Capital"), 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 (the "Bonds") from the then bondholder. On 19 June 2015, the Company entered into the Bond Restructuring Agreement with PEFD and Value Capital for the repayment of the outstanding Bonds ("Restructured Loan"). Pursuant to the Bond Restructuring Agreement, the Company agreed to pay an upfront amount of $2,780,000 (US$2,000,000) towards repayment of the Restructured Loan. The balance outstanding Borrowings Restructured Loan balance of approximately $21,802,000 (US$15,685,000) (including outstanding coupon payment of $924,000 (US$685,000)) would be payable over the course of 24 months with a minimum payment of $2,500,000 every quarter. In addition, on 19 June 2015, the Company also entered into a Subscription Agreement with Premier Equity Fund Sub Fund E ("PEFE") and Value Capital for the issuance of $100,000,000 in aggregate amount of redeemable convertible bonds ("RCB"). The terms of the Bond Restructuring Agreement and the Subscription Agreement were approved by shareholders at a Special General Meeting on 14 September 2015 and the 1st sub-tranche of $1,000,000 RCB was issued on 17 September 2015.

On 5 April 2016, the Company entered into a Supplemental Agreement with PEFE and Value Capital to remove the minimum conversion price of $0.003 per conversion share agreed under the terms of the Subscription Agreement. The terms of the Supplemental Agreement were approved by shareholders at a Special General Meeting on 29 April 2016.

As at 31 March 2016, and assuming the removal of the minimum conversion price of $0.003 per conversion share had been effected, the aggregate principal amount of RCB that can be issued will be significantly lower than $100,000,000. Based on the maximum number of conversion shares that may be issued pursuant to the conversion of the RCB of 33,333,333,333 conversion shares, the 771,424,471 shares previously issued pursuant to the conversion of an aggregate $3,300,000 principal amount of RCB (up to 31 March 2016) and the minimum conversion price of $0.00085 per conversion share, the Company may issue a balance of an aggregate principal amount of approximately $25,000,000 of RCB pursuant to the Subscription Agreement.

2 Summary of significant accounting policies (cont'd)

(a) Going concern assumptions (cont'd)

During the financial year, PEFE has subscribed for an aggregate principal amount of $5,000,000 of RCB and the Company has repaid approximately in aggregate of $10,823,000 to PEFD and the Bonds.

As disclosed in Note 27, 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 and is confident that PEFD and its manager, Value Capital will accede to an extension of time.

Additionally, as disclosed in Note 25, the Company did not make certain payments in accordance with the repayment term of the deed of settlement entered with Bass Metal Limited ("BSM") during the financial year. Management is currently in the process of negotiating for an extension of time for repayment with BSM.

There exists a material uncertainty on the ability of the Company to issue the RCB on a timely basis to pay $2,500,000 every quarter towards repayment of the Restructured Loan and to settle the overdue payable to BSM.

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 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.

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.

EXTRACTS OF NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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 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, the mManagement 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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Non-current				
Prepayment	**–**	305	**–**	–
VAT recoverable	**–**	626	**–**	–
	–	931	**–**	–
Current				
VAT recoverable	**353**	474	**–**	–
Loan receivables:				
- Loan A	**–**	300	**–**	300
- Loan B	**3,627**	–	**3,627**	–
Sundry debtors	**1,126**	4,382	**1,018**	4,167
Less: Allowance for impairment loss	**(4,533)**	(531)	**(4,533)**	(531)
	573	4,625	**112**	3,936

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Balance at the beginning of the financial year	**531**	–	**531**	–
Allowance for impairment loss	**4,533**	531	**4,533**	531
Write-back of allowance	**(180)**	–	**(180)**	–
Write-off	**(351)**	–	**(351)**	–
Balance at the end of the financial year	**4,533**	531	**4,533**	531

15 Other receivables (cont'd)

Loan A

Loan A is granted to a former subsidiary of the Company, Industrial Power Technology Pte. Ltd. ("IPT"). During the financial year, additional loans totalled $1,088,000 are granted. The loans are unsecured, interest-bearing at 8% (2015: 8%) per annum, and are due and payable at the expiration of loans period of 36 months from the date of drawdown from September 2014 to December 2015. At the balance sheet date, the Group and the Company has written off the loans amounted to $1,388,000 (2015: Nil), of which $300,000 (2015: Nil) is written off against allowance for impairment loss made in the previous financial year.

Loan B

Loan B 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 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 (Note 42).

In connection with the aforesaid, the Company provided Annica with a loan of $3,627,000 as at 31 March 2016, to repay the Company'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 ("Assignment") with Annica and Mr Lim In Chong to assign the unsecured term loan facility with Annica from the Company to Mr Lim In Chong for a consideration of $3,200,000. The Assignment has not taken place as it is subject to the fulfilment of the Conditions Precedent of the Assignment.

The directors are of the opinion that the recoverability of the loan is in doubt and the Group and the Company have recognised a full allowance for impairment loss on the loan amount.

Sundry debtors

Included in sundry debtors of the Group and the Company is a receivable amount of $1,000,000 (2015: $3,000,000) arising from the disposal of subsidiaries, Ivy Bushes Holding Ltd and its subsidiaries in the previous financial year. During the financial year, the Group and the Company agreed to waive an amount of $1,650,000 (2015: Nil) and has written off this amount to profit or loss. Subsequent to the balance sheet date, 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.

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 Owere Mines Limited ("OML") to below 10%.

On 23 May 2016, Signature Metals Ltd Limited ("SML") entered into a separation agreement with its business partner, Talos Ghana Limited in respect of OML. The effect of the separation agreement will be to dilute SML's interest in OML from 70.0% to 0.01%. 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" accordingly. The comparative statement of profit or loss has been re-presented as if the operations had been discontinued from the start of the comparative year.

The unaudited management accounts of 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.

25 Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables	**3,145**	6,407	**850**	597
Payable arising from settlement with a third party	**1,941**	–	**1,941**	–
Other payables and accruals	**5,272**	7,219	**665**	2,311
	10,358	13,626	**3,456**	2,908

Payable arising from settlement with a third party

In October 2015, the Company entered into a deed of settlement (the "Deed of Settlement") with BSM for the full and final settlement of (and includes) any and all claims made or that may be made by BSM amounting to $2,539,000 (equivalent to A$2,500,000) in respect of the termination of the Share Purchase Agreement to acquire 100% of the issued shares in Hellyer Mill Operations Pty Ltd from BSM. The Company agreed to make payment of the sum of A$2,500,000 to BSM in the following manner:

(a) A$300,000 (the "First Instalment") to be paid in cash on or before the entry into the Deed of Settlement;
(b) A$850,000 (the "Second Instalment") to be paid in cash in monthly instalments of not less than A$150,000 each on or before the end of each month commencing 31 December 2015 and ending on and including 30 June 2016, or in any event until the Second Instalment has been paid up in full; and
(c) A$1,350,000 (the "Third Instalment") to be paid in three (3) equal instalments on 29 February 2016, 31 March 2016 and 30 April 2016, in the manner to be decided in the full and absolute discretion of the Company, either by cash and/or allotment of issuance of fully paid shares in the capital of the Company.

The Deed of Settlement is secured by a floating charge over 25,862,069 fully paid ordinary shares in the capital of A1 Consolidated Gold Limited, a company listed on the Australian Securities Exchange, which is held by the Company's subsidiary, LionGold Australia Pty Ltd (Note 14).

25 Trade and other payables (cont'd)

During the financial year, the Company did not make certain payments in accordance with the repayment term. BSM has not requested for immediate repayment of the full outstanding amount as of the date of these financial statements. Management is currently in the process of negotiating for an extension of time for repayment with BSM. The transfer of ordinary shares in A1 Consolidated Gold Limited is part of the negotiation process to repay the amount due.

27 Borrowings

	Group and Company	
	2016	2015
	$'000	$'000
Term loan	**2,000**	–
Restructured loan	**17,805**	–
	19,805	–

Term loan

The term loan of $2,000,000 (2015: Nil) is unsecured and with an interest rate of 12% (2015: Nil) per annum. The term loan is due for repayment 6 months from 15 October 2015.

Restructured loan

On 22 May 2015, 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 for the repayment of 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 agreed to pay an upfront amount of $2,780,000 (US$2,000,000) towards repayment of the Restructured Loan.

Based on this new 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% (2015: Nil) 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 is due for repayment no later than 18 June 2017 with a minimum payment of $2,500,000 every quarter starting from 17 September 2015. During the financial year, the Company has repaid approximately $6,779,000 of the Restructured Loan.

During the financial year, the Company did not make certain payments in accordance with the repayment term. Thus PEFD is contractually entitled to request for immediate repayment of the outstanding Restructured Loan. Accordingly, the outstanding balance is presented as current liability as at 31 March 2016. PEFD has not requested for early repayment of the loan as of the date of these financial statements. Management is currently in the process of negotiating for an extension of time for repayment with PEFD and its manager.

The carrying amounts of the current borrowings approximate their fair value at the balance sheet date.

38 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 year, the Company's solicitors have opined that OML has a satisfactory chance of success in this matter. During the financial year, there has been no update on this claim. Accordingly, the amount of $238,000 has not been accrued for at 31 March 2016.

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

(b) In the previous financial year, 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 the previous financial year. As such, no provision was recognised at 31 March 2016.

EXTRACTS OF NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

42 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			Company		
	2016 $'000	2015 $'000	Expiry dates	**2016 $'000**	2015 $'000	Expiry dates
Corporate guarantee provided to a customer in connection with a project granted to a former subsidiary - unsecured *	**29,826**	32,182	Upon completion of project	**29,826**	32,182	Upon completion of project
Corporate guarantee provided to a bank for a former subsidiary in connection with performance and maintenance guarantees granted to this former subsidiary - unsecured *	–	5,200	30 June 2016 and 30 September 2016	–	5,200	30 June 2016 and 30 September 2016
Corporate guarantee provided to an insurance company as a counter guarantee to a bank in connection with insurance bond guarantees granted to a former subsidiary - unsecured *	–	4,810	Upon completion of project	–	4,810	Upon completion of project
Financial guarantee provided to a supplier in connection with products purchased by a former subsidiary - unsecured *	**236**	226	Upon completion of project	**236**	226	Upon completion of project
	30,062	42,418		**30,062**	42,418	

* The former subsidiary refers to IPT, which was disposed of during the financial year ended 31 March 2013.

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.

42 Guarantees (cont'd)

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 defence against the customer's claims. The Company has assessed its maximum potential obligation as $29,826,000 (2015: $32,182,000).

At the date of these financial statements, the customer has not made any claim against the Company on the corporate guarantee.

Claim on performance guarantee

On 20 August 2012, IPT entered into an Engineering Supply, Construction, Commissioning and Testing Project with Songkhla and Hong Kong and Shanghai Banking Corporation Singapore ("HSBC") agreed to provide banking facilities to IPT as set out in a letter of offer dated 3 January 2013. As security for all monies owing by IPT to HSBC, the Company, Annica and IPT agreed to execute a Corporate Guarantee for $5,200,000 in aggregate. Further, the Company, Annica and IPT also agreed to indemnify First Capital Insurance Limited for $5,200,000 in consideration of First Capital Insurance Limited providing a Counter Guarantee to HSBC. Under the guarantee, the Company, Annica or IPT (jointly and severally) will have to raise $5,200,000 to place it with HSBC in order to meet the SKB Claims.

On 19 June 2015 and 22 October 2015, the Company and Annica entered into separate deeds of settlement, pursuant to which they have agreed to repay $1,850,850 and $2,959,150 (this excludes an amount of $390,000 which has been settled by IPT) of the HSBC Facilities respectively. These amounts were fully repaid as at the end of the financial year.

45 Basis for disclaimer of opinion on the financial statements for the financial year ended 31 March 2015

The independent auditor's report dated 14 August 2015 contained a disclaimer of opinion on the financial statements for the financial year ended 31 March 2015. The extract of the basis for disclaimer of opinion is as follows:

Basis for Disclaimer of Opinion

(a) As stated in Note 2 to the financial statements, the Group reported a total loss of $61,339,000 and net cash outflow of $9,500,000 for the financial year ended 31 March 2015. Additionally, as stated in Notes 42 and 43 to the financial statements, the Group is exposed to certain material uncertainties in relation to guarantees provided and contingent liabilities that could result in material financial obligations in future periods. While the Group has embarked on initiatives to obtain funding for its investment and operational needs as set out in Note 2, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these initiatives and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the accompanying financial statements. If the Group is unable to raise the required funding, it may be unable to continue in operational existence for the foreseeable future and adjustments would have to be made to the financial statements.

45 Basis for disclaimer of opinion on the financial statements for the financial year ended 31 March 2015 (cont'd)

As stated 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 Company's and the Group's ongoing business operations; and (ii) the significance of adjustments, if any, that may arise from the investigation, to the accompanying financial statements.

These factors indicate the existence of material uncertainties which may cast significant doubt about the ability of the Company and the Group to continue as going concerns. The financial statements do not include the adjustments that would result if the Company and the Group are unable to continue as going concerns.

(b) Additionally, included in the loss from discontinued operations, net of tax, in the Consolidated Statement of Profit or Loss is a loss of $6,119,000 in respect of a subsidiary prior to it ceasing to be a subsidiary and its consequent deconsolidation. We were unable to obtain sufficient appropriate audit evidence on this loss. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.