

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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

LionGold Corp Ltd (the “**Company**”) has received the following queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**SGX-ST Queries**”).

The board of directors (the “**Board**”) of the Company has provided the following responses to the SGX-ST Queries.

SGX-ST Query 1:

The Company performed an exercise to compare its operational and financial performance with other similar listed gold mining companies. Can the company please provide a narrative on the results of the exercise.

Company’s response:

In response to the SGX-ST’s Queries, the Company undertook an exercise to compare its operational and financial performance with other listed gold mining companies. A list of five companies were chosen – three listed on the SGX-ST and two listed on the Australian Securities Exchange (the “**Comparable Companies**”).

A summary of the comparison is set out below:

- (a) **JORC compliant resources and reserves** - the Comparable Companies reported JORC compliant resources of between 107,000 ounces and 6,715,000 ounces for their latest financial year. Four of the five Comparable Companies reported reserves for their latest financial year ranging between 135,000 ounces and 1,530,000 ounces. The Company’s JORC compliant mineral resources and reserves estimates as at 31 March 2019 were 129,100 ounces and 17,400 ounces respectively;
- (b) **Gold production** - two of the five Comparable Companies were in production. These two Comparable Companies produced 31,500 ounces and 70,600 ounces of gold in their latest financial year. The Company produced 41,800 ounces of gold for the financial year ended 31 March 2019;
- (c) **All-in sustaining cost** – The two Comparable Companies that were in production reported an all-in sustaining cost per gold ounce (a common performance measure in the gold mining industry) of S\$1,326 and S\$1,695 for their latest financial year. The Company’s all-in sustaining cost per gold ounce for the financial year ended 31 March 2019 was S\$1,563;
- (d) **Price-to-Earnings (“P/E”)** - only one of the five Comparable Companies reported a profit attributable to equity holders for its latest financial year. The rest of the Comparable Companies and the Group were loss making for their latest financial year, hence the P/E ratios are not meaningful;
- (e) **Price-to-Net Asset Value (“P/NAV”)** – The P/NAV ratio of the Group of 0.63 times is within the range but below the mean and median of the P/NAV ratios of the Comparable Companies;
- (f) **Enterprise Value/ EBITDA (“EV/EBITDA”)** – four of the five Comparable Companies had negative EV/EBITDA ratios. The EV/EBITDA ratio of the Group of 0.47 times is lower than the EV/EBITDA ratio of the one other Comparable Company of 7.73 times;
- (g) **Enterprise Value/ Resources (“EV/Resources”)** – the EV/Resources ratio of the Group of 55.41 times is within the range but above the mean and median of the EV/Resources ratios of the Comparable Companies.

The comparison was prepared by the Company using information made available publicly by the Comparable Companies. The Company wishes to highlight that the list of Comparable Companies are not exhaustive and that they are not directly comparable to the Company in terms of the exchange on which the companies are listed, place, type and scale of operations, production status, processing facilities, risk profile, accounting policies and other relevant criteria.

SGX-ST Query 2:

The Company's all-in sustaining cost/ounce produced is S\$1,548 in FY17, S\$1,849 in FY18, S\$1,563 in FY19 – at such rates, it has generated net profits/(losses) of (S\$50.2m), (S\$10.6m) and S\$0.3m respectively. How does the Company intend to improve the all-in sustaining cost/ounce rate, or its financial performance?

Company's response:

The Company has identified four main areas to improve profitability at its gold mining operations:

- The current gold recovery processes in the processing plant are not perfect. The Company has identified a technical opportunity to increase the gold recovery in the processing plant by installing additional grinding equipment (viz. a ball mill). Once installed, it will be possible to grind the ore stream to a smaller size, thereby allowing some previously unliberated gold to be recovered by the flotation section of the plant. It is anticipated that the current gold recovery factor could increase from the current 83% of contained gold to approximately 90%.
- The underground mining rates are constrained by the rate at which new gold discoveries are made. By increasing the rate of discovery by deploying additional underground exploration drilling machines, the Company will be able to identify additional areas for mining. This will enable the Company to be more selective in its sources of ore and enable targeting of the higher-grade portions of the ore bodies for mining.
- The Company is currently utilising about 260,000 tonnes per annum of the processing plant's 600,000 tonnes per annum capacity. Following the identification of additional areas for mining (as mentioned above), it is anticipated that the underground mining rate could be increased to approximately 360,000 tonnes per annum with additional underground mobile mining equipment. This increased rate is still well within the capacity of the processing plant.
- Utilise the remaining spare capacity in the treatment plant and the new ball mill to recover gold that is currently held in the site's tailings storage facilities.

These initiatives are estimated to take about three years to implement depending on the amount of additional funding that can be sourced. Although detailed engineering design and planning has yet to be undertaken, it is calculated that these measures could result in an increase in gold production and revenue with a concomitant reduction in all-in sustaining cost per ounce.

SGX-ST Query 3:

The Company's reserves increased from 8.8koz to 17.4koz from FY18 to FY19 – what does this represent for the Company?

Company's response:

The increase in reserves represents encouraging progress for the Ballarat Goldmines Resource delineation program and reflects both success in identifying new resources and reserves, and an improved understanding of the geology of the goldfield. The result also demonstrates the exploration potential of the Ballarat goldfield. It is believed that with continued exploration success, the mine's reserves will continue to grow in the future.

SGX-ST Query 4:

How will the current trend of gold price affect the financial performance of the Company?

Company's response:

The average gold price achieved for the latest financial year was A\$1,727 and the average thus far for the current financial year to August 2019 is A\$1,967. Subject to the normal variances in gold production that can be expected, the increase in gold price will have a direct impact on revenue and profitability. It is important to note that to the extent that the achieved gold price is the result of a deterioration in the Australian/US dollar exchange rate there will be upward pressure on input costs in the longer term. Also, the gold price is influenced by a wide range of factors and care should be taken when extrapolating current trends.

TRADING CAUTION

Shareholders are advised to exercise caution in trading their shares. The comparisons were prepared by the Company using information made available publicly by the Comparable Companies and are not to be taken as indicative of the Company's performance. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Tan Soo Khoo Raymond
Executive Director
25 September 2019

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 announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes 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.

*The contact person for the Sponsor is Mr Bernard Lui.
Tel: 6389 3000
Email: bernard.lui@morganlewis.com*