LIONGOLD CORP LTD

(Incorporated in Bermuda)
(Company Registration No. 35500)

PROPOSED DEBT CONVERSION AND ISSUE OF DEBT CONVERSION SHARES

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of LionGold Corp Ltd ("**Company**") wishes to announce that the Company has on 14 July 2020 entered into a debt conversion agreement ("**DCA"**) with Mr Tan Soo Khoon Raymond (the "**Lender**") for the proposed conversion ("**Proposed Debt Conversion**") of the Outstanding Amount (as defined below) into 500,000,000 new ordinary shares in the capital of the Company ("**Debt Conversion Shares**") at the conversion price of S$0.002 per Debt Conversion Share ("**Conversion Price**").

2. THE DEBT CONVERSION AGREEMENT

As announced by the Company on 13 July 2018, the Company had entered into a loan agreement with the Lender ("**Loan Agreement**") whereby pursuant to the Loan Agreement, the Lender had agreed to grant an unsecured interest-free loan of up to S$3,500,000 (the "**Loan**") to the Company, which was to be used for general working capital purposes. Please refer to the Company's announcement dated 13 July 2018 for further information on the Loan Agreement.

As at the date of this announcement, the Company has drawn down on the Loan in accordance with the terms and conditions of the Loan Agreement and owes the Lender an aggregate sum of S$1,000,000 ("**Outstanding Amount**").

Under the terms of the DCA, the Outstanding Amount will be converted into Debt Conversion Shares at the Conversion Price. The Debt Conversion Shares represent approximately 1.58% of the existing share capital of the Company (comprising 31,706,206,055 ordinary shares ("**Existing Share Capital**")) and approximately 1.55% of the enlarged share capital of the Company (comprising 32,206,206,055 ordinary shares ("**Enlarged Share Capital**")) following the Proposed Debt Conversion. As at the date of this announcement, the Lender has a direct interest in an aggregate of 1,800,000 ordinary shares in the capital of the Company, representing approximately 0.0057% of the Existing Share Capital and approximately 0.0056% of the Enlarged Share Capital of the Company. Accordingly, the Proposed Debt Conversion will not result in a transfer of controlling interest under Rule 803 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Debt Conversion Shares will be allotted and issued to the Lender pursuant to the general mandate obtained by the Company at the annual general meeting held on 30 July 2019 ("**2019 AGM**"). The general mandate obtained at the 2019 AGM authorised the directors of the Company to, *inter alia*, issue shares in the Company not exceeding 100% of the total number of issued shares (excluding treasury shares), of which the aggregate number of shares to be issued other than on a pro-rata basis shall not exceed 50% of the total number of issued shares in the Company. As at the date of the 2019 AGM, the issued and paid-up share capital of the Company (the "**Previous Share Capital**") comprised 8,698,161,119 shares. According to the terms of the general mandate, the aggregate number of shares to be issued other than on a pro-rata basis shall not exceed 4,349,080,559 shares, being 50% of the Previous Share Capital. As at the date of this announcement, the general mandate has not been ultilised and the Company does not expect to issue any new shares between now and the completion date for the Proposed Debt Conversion.

Accordingly, the allotment and issue of the Debt Conversion Shares is within the limits of the general mandate.

3. INFORMATION ON THE LENDER

As the Lender was the group chief executive officer and an executive director of the Company when the Loan Agreement was entered into, the Loan constituted an interested person transaction pursuant to Chapter 9 of the Catalist Rules. The Outstanding Amount represents approximately 74% of the Group's audited net tangible assets as at 31 March 2019. However, as the Loan is interest free, the value at risk is zero and therefore the Company was not required to seek the approval of shareholders pursuant to Rule 906 of the Catalist Rules. The Lender has since ceased to be the group chief executive officer and an executive director of the Company as announced by the Company on 28 April 2020. The Lender is currently serving as a consultant to the Company to ensure a smooth transition subsequent to his cessation. Aside from the Loan Agreement and the DCA, the Company has not entered into any other transaction with the Lender.

As previously indicated above, as at the date of this announcement, the Lender has a direct interest in 1,800,000 ordinary shares in the capital of the Company. Save as disclosed, the Lender has no other connection (including business relationship) with the Group, the Directors or substantial shareholders of the Company and is not a person to whom the Company is prohibited from issuing shares to, as provided by Rule 812(1) of the Catalist Rules.

4. PRINCIPAL TERMS OF THE DEBT CONVERSION AGREEMENT

The principal terms of the DCA are as follows:

(a) Conversion Price

The Conversion Price is equivalent to the volume weighted average price of S$0.002 for trades done on the Company's shares on the SGX-ST for the full market day on 14 July 2020 (being the full market day on which the DCA was signed).

The Conversion Price was agreed upon between the parties taking into consideration the recent share price of the Company.

(b) Debt Conversion Shares

The Debt Conversion Shares shall, when allotted and issued in accordance with the terms of the DCA, be free from all encumbrances (including pre-emptive rights), be freely transferable and shall rank *pari passu* in all respects with the shares of the Company existing as at the date of the allotment and issue of the Debt Conversion Shares, except that such Debt Conversion Shares shall not be entitled to any dividends, allotments or other distributions, the record date of which is before the date of allotment of the Debt Conversion Shares.

(c) Conditions Precedent

The issuance of the Debt Conversion Shares by the Company to the Lender upon completion shall be conditional upon the following conditions being fulfilled:

(i) the approval of the Board having been obtained in respect of the Proposed Debt Conversion, including but not limited to the allotment and issue of the Debt Conversion Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the Company and the Lender;

(ii) the approval in-principle for the listing and quotation of the Debt Conversion Shares on the SGX-ST having been obtained from the SGX-ST and not having been revoked or amended

and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Debt Conversion Shares on the SGX-ST are required to be fulfilled on or before the completion date of the DCA, they are so fulfilled;

(iii) the allotment, issue, listing and quotation of the Debt Conversion Shares not being prohibited by any applicable laws or regulations; and

(iv) the warranties contained in the DCA being true, complete and accurate in all respects.

The sponsor of the Company, Stamford Corporate Services Pte. Ltd., will be submitting an application for and on behalf of the Company to the SGX-ST for the listing of and the quotation for the Debt Conversion Shares on the Catalist of the SGX-ST. The Company will make the necessary announcement(s) when the listing and quotation notice for the Debt Conversion Shares on the Catalist of the SGX-ST has been obtained from the SGX-ST.

(d) Completion

The completion date for the Proposed Debt Restructuring shall be the date falling three (3) business days after the satisfaction of all conditions set out in the DCA (or, if that is not a business day, on the next business day) or such other date as the Company and the Lender may agree in writing ("**Completion Date**").

Completion of the issue and allotment of the Debt Conversion Shares shall take place on the Completion Date and the Company shall deliver to the Lender a certified copy of the directors' resolutions approving the Proposed Debt Conversion, a certified copy of the listing and quotation notice from the SGX-ST for the listing of and quotation for the Debt Conversion Shares on Catalist and allot and issue in favour of the Lender the Debt Conversion Shares.

5. RATIONALE FOR THE PROPOSED DEBT CONVERSION

The Proposed Debt Conversion will extinguish the Outstanding Amount owed by the Company under the Loan Agreement which will reduce the Company's debt burden and strengthen the Group's balance sheet. It also eliminates the need for any cash payment hence allowing the Company to focus its cash resources on its business activities.

6. DIRECTORS' CONFIRMATION

The Proposed Debt Conversion will not result in any new cash proceeds for the Company.

The Directors are of the opinion that the working capital available to the Group is sufficient to meet its present requirements.

7. FINANCIAL EFFECTS OF THE PROPOSED DEBT CONVERSION

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2019:

(a) assuming the Proposed Debt Conversion was completed on 1 April 2018 with all the Debt Conversion Shares being in issue during the period, the net earnings per share of the Group (after adjustment for the Debt Conversion Shares) will decrease from 0.014 cents to 0.013 cents; and

(b) assuming the Proposed Debt Conversion was completed on 31 March 2019, the net tangible asset value per share of the Group after adjusting for the Debt Conversion Shares will decrease from 0.158 cents to 0.149 cents.

The financial effects of the Proposed Debt Conversion set out above are for illustrative purposes only and are therefore not indicative of the actual financial performance or position of the Group following the completion of the Proposed Debt Conversion.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein, none of the Directors or substantial shareholders of the Company has any direct or indirect interest in the Proposed Debt Conversion, other than through their respective shareholdings (if any) in the Company.

9. AUDIT COMMITTEE STATEMENT

The Audit Committee, having reviewed the terms and conditions of the DCA and taking into consideration the rationale for the Proposed Debt Conversion, the Conversion Price and the financial effects of the Proposed Debt Conversion, is of the opinion that Proposed Debt Conversion is undertaken on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

10. DOCUMENTS FOR INSPECTION

A copy of the DCA is available for inspection during normal business hours at the correspondence office of the Company at 100 Beach Road, #21-01, Shaw Tower, Singapore 189702 for a period of three (3) months from the date of this announcement. Shareholders who wish to inspect the DCA should call the Company at +65 6690 6860 to make an appointment so that the relevant arrangements can be made in view of the COVID-19 control measures.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Debt Conversion, the issue of Debt Conversion Shares, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

12. TRADING CAUTION

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the proposed allotment and issuance of the Debt Conversion Shares will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. 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

Yao Liang
Executive Director
14 July 2020

*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It 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.*

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