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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON DISCLAIMER OF AUDIT OPINION AND CATALIST RULE 1303(3)

The board of directors (the "**Board**") of LionGold Corp Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**SGX-ST queries**") on the disclaimer of audit opinion and in relation to Catalist Rule 1303(3) and wishes to respond to the SGX-ST queries as follows:

SGX-ST Query 1:

Has the Company considered a suspension of trading under Catalist Rule 1303(3)?

Company's response:

The auditors of the Company issued a disclaimer of opinion on the going concern assumption in its auditors report for the financial year ended 31 March 2018. The directors of the Company are of the opinion that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due. By way of an update to the SGX-ST, the Company wishes to inform the SGX-ST of the following developments:-

1. On 13 July 2018, the agreement between the Company and Premier Equity Fund Sub Fund E and Value Capital Asset Management Private Limited and the Company to extend the maturity date of the Convertible Bond program was signed. The maturity date has been extended to 16 March 2020. Please refer to the Company's announcement dated 13 July 2018 for more information.

2. On 13 July 2018, the Company entered into a loan agreement with its Executive Director and Group CEO, Raymond Tan. Pursuant to the loan agreement, Mr Tan is prepared to extend a facility of up to S$3.5 million for a period of 24 months. Please refer to the Company's announcement dated 13 July 2018 for more information.

Other relevant information on the Group's financial position is set out below:-

1. The Board expects the operations at Ballarat Mine, Castlemaine Goldfields Pty Ltd ("**CGT**") to be profitable in 1Q2019 (3 month period ended 30 June 2018). Please note that CGT's accounts are being prepared for inclusion into the Group's results for release on or before 14 August 2018.
2. In the Company's FY2018 annual report, it was disclosed in page 45 that the Group had Trade and other Payables of S$11.66 million.

Extracted from the FY2018 Annual Report (As at 31 March 2018)

	Group	**Company**
Trade payables	S$2.223 mil	-
Other payables and accruals	S$9.437 mil	S$3.44 mil
	S$11.660 mil	S$3.44 mil

Trade payables amount to S$2.223 million. The trade payables will be repaid using its cash balance of S$3.757 million and Gold inventory of S$7.327 million (balances as at 31 March 2018). Gold held in inventory is sold subsequent to the financial year end.

Other payables and accruals of approximately S$6.458 mil (as at 31 March 2018) relate to the following and are not immediately payable:-

Accrued interest on loans of S$2.943 mil	These payables are non-trade in nature and are not immediately payable.
Leave accruals of S$3.515 mil	These relate to accrued leave of all employees for leave not taken as at 31 March 2018. They are reduced as and when the employees clear their leave entitlements. These amounts are not immediately payable.

The remaining Other Payables of S$2.979 mil will be repaid using its cash balance of S$3.757 million and Gold inventory of S$7.327 million (balances as at 31 March 2018).

Based on the above, the Board is able to confirm to the SGX-ST that the Company is able to pay its debts as and when they fall due and the Company is not in breach of Catalist Rule 1303(3).

SGX-ST Query 2:

On the other payables and accruals of approx. S$6.458m which are not immediately payable:

- Accrued interest on loans of S$2.943m – Why are they not immediately payable while they are classified as Current Liabilities?

Company's response:

This accrued interest relates to a loan from Premier Equity Fund Sub Fund D. The key terms of the loan are set out in the Debt Restructuring Agreement dated 29 June 2017 entered into between the Company, Premier Equity Fund Sub Fund D (the Creditor) and its manager, Value Capital Asset Management Private Limited. The agreement was entered into to restructure a then outstanding loan owing to the Creditor of an amount approx. US$15,802,150. Pursuant to the Debt Restructuring Agreement, the loan repayment shall be 5 years from the date of the Debt Restructuring Agreement, being 28 June 2022. There are scheduled repayments the Company has agreed to make to the Creditor, and when those scheduled repayments are due, the Company can write to the Creditor seeking a waiver of the scheduled repayment obligation. The Company is of the view that the Creditor shall not unreasonably withhold consent for such a waiver. Therefore, the Company is of the view that the accrued interest on loans are not immediately payable as a waiver can be sought from the Creditor to defer payments to the Creditor.

The Company is currently still in negotiations with the Creditor for the extension of the Long Stop Date (as defined in the announcement dated 29 June 2017). An announcement will be made by the Company once negotiations are complete.

SGX-ST Query 3:

Leave accruals of S$3.515m – How did this amount come about and what does it comprise? We note from FY18 AR (Note 9) that employee benefits costs (including key management personnel's remuneration) totals to S$2.5m in FY18 and S$3.2m in FY17 only.

Company's response:

Accounting standards require companies to accrue for employee entitlements to annual leave, sick leave or long service leave. A provision is made for the estimated liability for annual leave, sick leave or long service leave as a result of services rendered by employees up to the balance sheet date ie. leave entitlements that have not been taken by employees. This is an accounting policy adopted by the Company and is set out in page 66 of its FY2018 Annual Report under para 2(u) Employee benefits, employee leave entitlement.

Such accruals are recorded in the Group's financial statements as a current liability. For its Australian subsidiary, Castlemaine Goldfields Pty Ltd, accruals for annual, sick leave and long service leave will be reduced as and when the staff take their leave. The leave accruals (entitlements not taken) will become payable to the employee upon their, inter alia, resignation or if the employee is made redundant. For its Singapore subsidiary, LionGold Investments Pte Ltd, accruals for annual, sick leave and long service leave will be reduced as and when the staff take their leave. The leave accruals (entitlements not taken) will not become payable to the employee upon their, inter alia, resignation or if the employee is made redundant.

For employee benefits costs (including key management personnel's remuneration) in the FY18 AR (Note 9), these expenses are remuneration of key management personnel of the Group, and

these numbers are reflected in the Consolidated Statement of Profit or Loss. The Leave Accruals are balances that are reflected in the Group Balance Sheet. Leave Accruals and Employee Benefits Costs describe different Profit & Loss and Balance Sheet disclosure items in the financial statements.

Leave accruals of S$3.515mil relate to all employees of the Group.

The leave accrual balance is mainly from our Australian subsidiary, Castlemaine Goldfields Pty Ltd ("**CGT**"). Details of the leave accruals as extracted from the CGT FY2018 annual report is set out below:-

Extracted from CGT's FY2018 Annual Report:-

Note 16 Provisions

	2018
	A$
Current liabilities – Provision for employee entitlements	
Provision for annual leave	2,253,343
Provision for sick leave	20,555
Provision for long service leave	1,157,305
Total	**3,431,203**

Employee benefits costs (including key management personnel's remuneration) totals to S$2.5m in FY18 and S$3.2m in FY17. These employee benefit costs is mainly for key management.

The total employee costs incurred at CGT amounts to A$18.98 mil (The A$18.98mil total employee costs have been extracted by the finance team at CGT because this is not a separate disclosure item. This employee costs are classified under Admin expenses and Cost of Sales (cost of inventories sold).

Using balances extracted from CGT's accounts, the leave accrual balance of A$3.431 mil should be compared against the total employee costs of A$18.98 mil.

BY ORDER OF THE BOARD

Tan Soo Khoon Raymond
Executive Director
27 July 2018

*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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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