Extracts of the Notes to the Financial Statements

2. Significant Accounting Policies

(a) Basis of Preparation

Going Concern

During the financial year, the Group reported a total loss after taxation for the year of S$189,099,000 (2013: S$11,189,000) and net cash out flow of S$23,194,000 (net cash inflow in 2013: S$31,396,000).

In FY2014, the Group funded its operations and corporate actions from the issuance of equity from private placements and the exercise of warrants. Following the significant decline in the price of the Company's shares on 4 October 2013, the subsequent weak performance of the Company's share price and the investigations by the Commercial Affairs Department into the trading of shares in the Company, the Group's capital fund raising efforts in the last 12 months have been impacted. Capital raising has been the primary source of funding for the Group and as such these events have had an impact on the Group's immediate cash resources available to fund the Group's mining operations and corporate office functions.

Subsequent to the end of the financial year management has undertaken a number of measures to provide funding and to stabilise the operations of the Group.

Subject to obtaining shareholder approval in respect of items 2 and 4 the following matters have been completed:

1. Concluded a private placement of 52,000,000 new shares and received funds of approximately S$4, 200,000;
2. Entered into a bond restructuring agreement, a set-off and subscription agreement and a convertible bond subscription agreement on 30 June 2014 with a bondholder to restructure the outstanding S$24,800,000 (US$20,000,000) in aggregate principal amount of 9% convertible bonds due 2015. The bond restructuring agreement provides for a conversion of S$12,400,000 (US$10,000,000) of convertible bonds into equity and the cancellation of the remaining S$12,400,000 (US$10,000,000) of convertible bonds and the issuance of S$12,400,000 (US$10,000,000) of new convertible bonds with a tenor of 3 years. The above agreements are subject to approval from shareholders at an extraordinary general meeting to be convened;
3. Disposed of the Group's 100% interest in Acadian Mining for approximately S$7,900,000 (C$7,000,000). The total consideration consisted of cash of S$4,900,000 (C$4,300,000), which has been received by the Group and 8,900,000 shares in the purchaser, Atlantic Gold Corporation, a company listed on the TSX Venture Exchange, which at the date of the announcement of the disposal had a market value of approximately S$3,000,000 (C$2,700,000). Under the terms of the share purchase agreement, the Group agreed not to transfer,

sell, assign or dispose of the shares for a period of 1 year from 22 September 2014;

4. Disposed of the Group's 100% interest in Ivy Bushes, the Group's PRC manufacturing operations, for S$11,000,000. The disposal is subject to approval from shareholders at an extraordinary general meeting to be convened. Included in the consideration is an offset of amounts owed by LionGold to Ivy Bushes of S$4,000,000. The Group received S$3,000,000 of the net consideration upon signing of the agreement and will receive S$1,000,000 upon receipt of shareholder approval for the disposal, S$1,000,000 on a date falling six months after receipt of shareholder approval and a final tranche of S$2,000,000 on a date falling 12 months after receipt of shareholder approval;
5. Dilution of the Group's interest in the Amayapampa Gold Project in Bolivia from 100% to approximately 10% as a result of entering into an investment agreement with Silvermane Investment Limited. Whilst the sale will not generate any cash inflows to the Group, the investor will be responsible for bearing the existing liabilities as well as future operating costs and development funding of the project.

In addition to the above, the following actions have commenced with a view to raising additional funding which will be required to enable the Group to continue operations for the foreseeable future. Management expect the Group's funding needs to be met primarily from the proposed rights issue described below. However given the uncertainties regarding the amount of funds that will be raised through the rights issue alternative funding sources have been arranged which can be drawn on as needed and these are set out in items 7 and 8 below.

6. Announced a 2 for 5 non-underwritten rights issue together with free warrants on a 1 for 5 basis to raise approximately S$18,500,000, subject to adjustments to the issue price of the rights shares. The rights issue is subject to approval from shareholders. Shareholder approval will be sought at an extraordinary general meeting to be convened and the funds arising are expected to be received in the first half of the 2015 financial year;
7. Entered into bond subscription agreements to raise S$15,000,000 by the issuance of unsecured redeemable convertible bonds due 2018 (assuming the convertible bonds are issued in 2015) to two investors, Mr Awang Ahmad Sah and Dr Vigneswaran Subramaniam. The issue of the convertible bonds is subject to approval from shareholders at an extraordinary general meeting to be convened;
8. Entered into a loan agreement with Mr Awang Ahmad Sah on 5 June 2014 under which the Company can obtain cash advances of up to S$7,500,000 which can be used for working capital purposes. This loan is available until the issuance of the convertible bonds due 2018 as mentioned in (7) above. As at date of the issue of the financial statements, the outstanding drawn down amount is S$180,000; and
9. Rationalised and effected cost savings initiatives at our gold mining operations in Ballarat, Victoria, Australia (Castlemaine Goldfields Pty Ltd) and Konongo, Ghana (Owere Mines Limited).

The ability to obtain the shareholders' approvals and the certainty of receiving the funds as provided for in the proposed fund raising represent a material uncertainty that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern. The Board is satisfied that the steps proposed by management have been carefully considered and while a material uncertainty exists, the Board believes that the Group will be able to achieve the desired outcome of raising sufficient funds to enable the Group to fund its operations for the foreseeable future. On the basis of this assumption the Board has determined that it is appropriate for the Company to adopt the going concern assumption in preparing the accompanying financial statements.

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 other than 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 sheet and additional liabilities may arise. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets or liabilities. No such adjustments have been made in the financial statements.

45. Events after Balance Sheet Date

Order to Company for provision of information and documents

The Company received a notice on 2 April 2014 from the Commercial Affairs Department ("CAD") requiring the Company to provide to CAD access to the following for the period from 1 January 2011 to date:

(i) all corporate electronic data, information technology equipment and data storage devices belonging to a director and an employee of the Company; and
(ii) all other relevant documents,

in relation to investigations into an offence under the Securities and Futures Act, Cap 289.

LionGold Investments Pte. Ltd. ("LionGold Investments"), a wholly-owned subsidiary of the Company also received a similar notice on 2 April 2014 from the CAD, requiring LionGold Investments to provide the CAD with access to the following for the period from 1 January 2011 to date:

(i) all corporate electronic data, information technology equipment and data storage devices belonging to an employee of the Company; and
(ii) all other relevant documents.

The Company received another notice on 29 April 2014 from the CAD requiring the Company to provide to CAD access to (i) all accounting records for the period from 1

April 2010 to 31 March 2014, (ii) all minutes of meetings and resolutions for the period from 1 April 2010 to 31 March 2014, (iii) all documents relating to the proposed acquisition of Minera IRL Ltd, (iv) all corporate emails of the current members of the Board and the adviser to the Chairman of the Company for the period from 1 April 2010 to 31 March 2014 (and in respect of a director and the adviser to the Chairman of the Company, for the period from 1 April 2010 to 30 September 2012), (v) all corporate emails of certain past and present key management personnel for the period from 1 April 2010 to 31 March 2014 (and in respect of an employee of the Company, for the period from 1 April 2010 to 30 September 2012), and (vi) any other relevant documents.

The CAD has not given any details of its investigations. The directors reiterate that it is not aware if any offence has been committed by the directors or officers of the Company, the Company or any of its subsidiaries.

The Directors are of the view that the business and operations of the Company are not affected by the investigations. However, it has impacted the Company's on-going private placement and issuance of convertible bonds exercise announced on 31 March 2014. On 2 May 2014, the Company announced the termination of the placement to two of the proposed places as they informed the Company that they did not wish to proceed with the placement owing to the on-going CAD investigations.