

LIONGOLD CORP LTD

COMPANY ANNOUNCEMENT

STATEMENT BY AUDIT COMMITTEE ON THE GOING CONCERN
NOTE IN THE FY2014 ANNUAL REPORT - CLARIFICATION

1. INTRODUCTION

1.1 The Board of Directors (the “**Board**”) and the Audit Committee of LionGold Corp Ltd (the “**Company**” and together with its subsidiaries, “**LionGold Group**”) refers to the Company’s Annual Report dated 23 October 2014 for financial year 2014 (“**FY2014 Annual Report**”) and the Company’s announcement dated 27 October 2014 concerning the Audit Committee’s statement on the going concern note in the FY2014 Annual Report (the “**AC Opinion Announcement**”).

1.2 In the Statement by Directors on page 62 of FY2014 Annual Report, Directors of the Company opined as follows:

“In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company, together with the notes thereto, as set out on pages 64 to 146, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, on the assumption of the successful execution of the various fund raising measures proposed by management as disclosed in Note 2 of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.”

1.3 In the AC Opinion Announcement, the Audit Committee stated as follows:

“The Audit Committee is satisfied that the above steps proposed by management have been carefully considered, and while a material uncertainty exists, are achievable. The Audit Committee therefore supports the steps proposed by management.

The Audit Committee is confident that the fund raising proposals will be able to raise sufficient funds necessary to support the Group’s operational requirements for the next 12 months, and the Audit Committee supports the decision to adopt the going concern assumption in preparing the accompanying financial statements for the Annual Report for FY2014.”

1.4 The Board and the Audit Committee wish to clarify the basis for arriving at the conclusions as stated above.

2. CLARIFICATIONS

- 2.1 The statements highlighted in paragraphs 1.2 and 1.3 of this Announcement were made by the Directors and Audit Committee respectively after reviewing LionGold Group's cash flow requirements for the next 12 months and after considering the fund raising initiatives announced by the Company, which will enable LionGold Group to fund its operations for the period under review.
- 2.2 The Auditor's Disclaimer of Opinion (at page 63 of the FY2014 Annual Report) was due to the fact that the auditors of LionGold Group, Pricewaterhouse Coopers LLP ("**PwC**") were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of the various fund raising initiatives of the Company materialising and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the accompanying financial statements. PwC also stated that material uncertainties in the fund raising initiatives and the ongoing investigation by Commercial Affairs Department may cast significant doubt over LionGold Group's ability to continue as a going concern. The financial statements in FY2014 Annual Report do not include the adjustments that would result if LionGold Group is unable to continue as a going concern.
- 2.3 The Directors and the Audit Committee have reviewed the fund raising initiatives of the Company and believe that although uncertainties exist, there are reasonable grounds to believe that the Company will be able to raise sufficient funds to enable the Group to fund its operations in the next 12 months. The basis for making this statement is as follows:
- (a) ***The Rights cum Warrants Issue:*** As announced by the Company on 30 June 2014, the Company intends to undertake 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 cum Warrants Issue**"). The Company intends to submit necessary applications to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing and quotation of the rights shares and the warrants immediately after its FY2014 annual general meeting scheduled for 19 November 2014. The Directors have assessed past statistics for rights issues done by companies listed on the SGX-ST and concluded that most rights issues have been fully subscribed by shareholders. In view of the recent decline in the share price of the Company's shares, the Directors intend to revise the issue price for the Rights Cum Warrants Issue to a level which will make the terms of the Rights cum Warrants Issue sufficiently attractive and necessary announcements will be made in this regard shortly. However, the Auditor's Disclaimer of Opinion may affect the ability of the Company to achieve a full subscription for the Rights Cum Warrants Issue.
- (b) ***The Bond Subscription Agreements to raise an aggregate of S\$15,000,000 million by the issuance of convertible bonds:*** As announced by the Company on 30 June 2014, the Company 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, subject to shareholder's approval (amongst others). The Company intends to submit necessary applications to SGX-ST in this regard immediately after its FY2014 annual general meeting scheduled for 19 November 2014. The Directors believe that shareholders of the Company will vote for and support this fund raising exercise. The Directors are of the view that the bond subscribers, Mr. Awang Ahmad Sah

and Dr. Vigneswaran Subramaniam are high net worth individuals who have the financial resources to subscribe for the convertible bonds. The bond subscribers have also informed the Company that they are still prepared to subscribe for the convertible bonds notwithstanding the Auditor's Disclaimer of Opinion. The Directors are confident that the Company will be able to raise the S\$15,000,000 million from this fund raising exercise.

- (c) **Bond Restructuring Exercise:** As announced by the Company on 30 June 2014, the Company entered into a bond restructuring agreement, a set-off and subscription agreement and a convertible bond subscription agreement on 30 June 2014 with Myriad Opportunities Master Fund Limited (the "**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 Exercise**"). The Bond Restructuring Exercise comprises the 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 Bond Restructuring Exercise is subject to shareholder's approval (amongst others). The Company intends to submit necessary applications to the SGX-ST in this regard immediately after its FY2014 annual general meeting scheduled for 19 November 2014. The Directors believe that shareholders of the Company will vote for and support the Bond Restructuring Exercise. As at the date of this Announcement, the Company has not received any indication from the Bondholder that it does not want to proceed with the Bond Restructuring Exercise due to the Auditor's Disclaimer of Opinion. The Directors are confident that the Company will be able to successfully complete the Bond Restructuring Exercise.
- (d) **Loan agreement with Mr. Awang Ahmad Sah:** As stated in the AC Opinion Announcement, the Company has also obtained a loan of S\$7,500,000 from Mr. Awang Ahmad Sah. This loan is available until the issuance of the convertible bonds due 2018 as mentioned above and there are no conditions attached to drawdown. As at the date of the issue of the audited FY2014 financial statements, the outstanding drawn down amount is S\$180,000. The outstanding amount of the loan may be repaid in cash or offset against the issuance of the convertible bonds referred to in paragraph 2.3(b) above.

As stated above, the Directors are of the view that Mr. Awang Ahmad Sah is a high net worth individual who has the financial resources to make the loan amount available to the Company.

- (e) **Rationalised and effected cost savings initiatives at the gold mining operations in Ballarat, Victoria, Australia (Castlemaine Goldfields Pty Ltd) and Konongo, Ghana (Owere Mines Limited):** Some of the cost saving initiatives undertaken by LionGold Group were as follows:
- (i) certain supplier contracts that were up for renewal (i.e. telephone charges, electricity supplies, outside contractors etc) were renewed with more favourable terms for the Company. This was done in light of the softening of the global mining sector which impacted both Australia and Ghana;
 - (ii) staff that resigned from their positions were replaced with staff at a lower salary level or their positions were left vacant; and

- (iii) certain equipment was purchased/leased that improved the recovery of gold produced at the Ballarat Gold Project.

Given that these are new measures, it is not possible to quantify the exact cost savings of the Company at this point.

The Directors and the Audit Committee are of the view that the above initiatives, along with the other measures described in the Going Concern note (Note 2) in the FY2014 Annual Report, will ensure that the assets of the LionGold Group are utilised in an optimum manner and the Company will be able to raise sufficient funds to fund the LionGold Group's operations for the next 12 months.

- 2.4 In addition to the above fund raising initiatives, the Company's management is constantly working on other fund raising initiatives, for which announcements will be made when appropriate.

3. ORDERLY TRADING

The Board confirms that, based on the disclosures made by the Company on the SGXNET (including the FY2014 Annual Report and this Announcement), sufficient information is available for the market to continue trading in an orderly manner. The Board has reached this conclusion based on the fact that as at the date of this Announcement, all information required to be disclosed under Rule 703 of the Listing Manual of the SGX-ST has been so disclosed to the public via SXGNET announcement.

BY ORDER OF THE BOARD

Tan Soo Khoon Raymond
Executive Director
30 October 2014