

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

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**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

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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 Securities Investors Association (the “**SIAS**”) (the “**SIAS queries**”) and wishes to respond to the SIAS queries as follows:

**SIAS Query 1:**

In FY2018, Castlemaine Goldfields Pty Ltd (“Castlemaine Goldfields” or “CGT”), the Company’s wholly owned subsidiary, produced 35,104 ounces of gold, down 15% from 41,391 ounces. Coupled with a lower selling price of gold (A\$1,661 per ounce), total revenue achieved was A\$59.1 million and the group reported a loss for the \$(10.6) million. The group reported an average grade of 5.8g/t in FY2017 and experienced a drop to 5.19g/t in FY2018.

**(i) What is the historical ore grade at Castlemaine Goldfields?**

**Company’s response:**

		YTD 2018	YTD 2017	YTD 2016	YTD 2015
Mined Grade	g/t	5.19	5.81	6.19	6.67
Gold Produced	ozs	35,104	41,391	41,516	46,039
Gold price received / Ounce	\$/oz	1,662	1,669	1,566	1,506
Revenue from bullion sales	A\$	56,410,119	69,622,054	65,848,422	75,278,351

**(ii) Assuming a stable price of gold and volume of ore processed, what is the ore grade required for CGT to achieve break-even?**

**Company’s response:**

The break-even grade is highly sensitive to the quantity of ore mined, price of Gold, Gold produced and recovery rates achieved by the processing plant. We have calculated the breakeven grade for each respective financial year.

		YTD 2018	YTD 2017	YTD 2016	YTD 2015
Breakeven grade	g/t	5.42	5.11	6.11	4.73

(iii) In addition, progress was said to be made to reach the historic New Normanby Mine. **What are the other milestones to be achieved before the group can mine at the New Normanby Mine?**

**Company's response:**

The New Normanby Mine is an underground area (referred to as a 'compartment') within the existing Ballarat Gold Mine development. Engineering work required to reach that compartment will involve, inter alia, drilling 'geotechnical cover holes', extending the ventilation vent shafts and extending the development drive towards that underground compartment.

(iv) Furthermore, the group invested and capitalised \$2.8 million exploration and evaluation expenditure in 2018, up from \$1.3 million a year ago. **What are the tangible outcomes from the exploration efforts?**

**Company's response:**

The tangible outcome of the exploration efforts is that the mine is able to replace the ounces that have been mined from our Ore Reserves and Resources with new discoveries.

We charge expenditure to evaluate prospective areas to 'Exploration and Evaluation' and then when we are in a position to decide whether to mine an area or not, we either transfer the relative amount to 'Mining Properties' or write-off expenditure on areas that do not yield the desired results.

**SIAS Query 2:**

On 30 June 2018, the company announced that the independent auditor of the company had issued a disclaimer of opinion in the Independent Auditor's Report for the audited financial statements of the Company and the Group for the financial year ended 31 March 2018.

The basis for Disclaimer of Opinion were Going concern assumptions and Corresponding figures and opening balances.

With regard to going concern assumptions, the directors of the company have stated the following:

*[...] will be able to raise the necessary funds from the redeemable convertible bonds (subject to the extension being approved) and/or other short term credit facilities as described above, as well as to generate positive cash flows from mining operations carried on by its wholly-owned subsidiary, Castlemaine Goldfields Pty Ltd.. As such, the Board is of the opinion that the Company will have sufficient working capital for the next 12 months and will be able to pay its debts as and when they fall due based on the foregoing reasons.*

On 13 July 2018, the company announced that it had entered into a loan agreement with Mr Tan Soo Khoon Raymond (CEO) to grant an unsecured interest-free loan of up to \$3.5 million to the company to be used for general working capital.

(i) **Can the board update shareholders on its other efforts to raise funds through other short term credit facilities, with its directors or other potential lenders?**

**Company's response:**

Save for the announcements made by the Company on its fund raising initiatives, there are no further updates. The Company will continue to update shareholders on its further fund raising efforts in accordance with the SGX listing rules.

**(ii) How much more cost-cutting measures can be implemented?**

**Company's response:**

The Company's costs have been streamlined over the last few years, and currently costs incurred by the Group are necessary to meet its operating requirements. Any significant reduction in costs may have a negative impact on the safety and efficiency of our operations.

**(iii) Should the \$3.5 million loan be fully drawn down, how long would it be able to support the group for? What is the current cash burn-rate of the group?**

**Company's response:**

The Group generates cash mainly from its mining operations at the Ballarat Gold Mine. In addition, the Company has obtained an extension of the maturity date for its redeemable convertible bond programme and a loan from its Group Chief Executive Officer.

As disclosed in the Group's annual report for the year ended 31 March 2018, the Directors believe that the Group and the Company will be able to raise the necessary funds from the redeemable convertible bonds and the loan facility, as well as generate positive cash flows from its mining operations for the Group to operate as a going concern and that the Company will be able to pay its debts as and when they fall due.

**(iv) Mr Tan has a direct interest in an aggregate of 1,800,000 ordinary shares in the capital of the Company representing approximately 0.02% of the entire issued share capital of the Company. This falls under the definition of an interested person transaction. **Can Mr Tan help shareholders understand the rationale to loan the company \$3.5 million when the entire market capitalisation of the company is approximately \$8.7 million?****

**Company's response:**

Mr Tan extended the loan to the Company to lend his support to the Group to allow it to operate as a going concern. Mr Tan did not take into account the market capitalization of the Company in deciding on the loan amount.

**SIAS Query 3:**

Also highlighted in the Basis of Disclaimer of opinion are the group's exposure to certain material uncertainties in relation to contingent liabilities and guarantees provided that could result in material financial obligations in future periods, summarised as follows:

- Note 36(a): Claim related to a proposed subscription of \$2.4 million
- Note 36(b): Potential claim on corporate guarantee of \$4.5 million
- Note 39: Maximum amount of the guarantee contracts of \$29.5 million

**Would the directors provide shareholders with an update of the above mentioned liabilities? What are the board's efforts to resolve the potential claim and to remove such liabilities from the group's balance sheet?**

**Company's response:**

Save for the disclosure in the annual report for the year ended 31 March 2018, there are no further updates to the contingent liabilities and guarantees.

**BY ORDER OF THE BOARD**

Tan Soo Khoon Raymond  
Executive Director  
16 August 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 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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