

UPDATE ON THE KONONGO GOLD PROJECT, GHANA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of LionGold Corp Ltd (the “**Company**”) refers to the Company’s third quarter financial statement and dividend announcement for the financial period ended 31 December 2015 dated 12 February 2016 (the “**3Q Announcement**”). As disclosed in the 3Q Announcement, the Company has been in discussions with parties to exit its investment in the Konongo Gold Project (the “**Project**”).

The Project is a gold mine located in Konongo, Ghana, with concessions containing over 16 known gold deposits within a 12 kilometre long trend in the Ashanti Gold Belt. Operations at the Project have been under care and maintenance since November 2013 and exploration and drilling work has been suspended since mid-May 2014. The Project is owned by Owere Mines Limited (“**OML**”), a Ghanaian incorporated company which is 70% owned by Signature Metals Limited (“**SML**”) as at the date of this announcement. As at the date of this announcement, the Company has a 77% interest in SML, which was acquired in April 2012. The Project is the sole asset of SML.

In order to develop the Project into production, significant funding would be required to build a treatment plant able to process the sulphide ore, continue with exploration and drilling work to complete the life of mine study and a scoping study, and to commence construction of the underground mine to access the sulphide orebodies. The Company has concluded that it will be unable to continue to solely fund advancement and development of the Project. Since January 2015, SML has had difficulties supporting the expenditure of OML, despite reducing operating costs to a minimum. Total care and maintenance expenses for the Project for the nine (9) months and three (3) months financial periods ended 31 December 2015 amounted to approximately S\$3.6 million and S\$1.1 million, respectively.

By January 2016, the board of SML determined that no further reasonable options were available to fund OML’s continuing operations. The Board concurs with the decision of the board of SML. The situation at the Project had by then deteriorated and there were risks of social, security and environmental problems. There will be no impact on the Company from any of the issues faced by OML and the Project.

The Board wishes to inform the shareholders of the Company (“**Shareholders**”) that on 23 May 2016, SML entered into a separation agreement (the “**Separation Agreement**”) with its joint venture partner, Talos Ghana Limited (“**Talos**”), in respect of OML, the key terms of which are set out below.

Talos currently has a 20% interest in OML and the remaining 10% is owned by the Government of Ghana. Neither Talos nor the Government of Ghana is related to any of the directors and/or controlling shareholders of SML and the Company. The Company is not a party to the Separation Agreement.

2. KEY TERMS OF THE SEPARATION AGREEMENT

The key terms of the Separation Agreement are as follows:-

- (a) OML will conduct a rights issue (the “**OML Rights Issue**”), the terms of which will be determined by Talos, to raise funds for its operations;
- (b) SML will renounce its rights entitlements in favour of Talos, and Talos will subscribe for those rights entitlements;
- (c) upon subscription by Talos for its own rights entitlements and the rights entitlements renounced in its favour by SML, SML’s interest in OML will be diluted from 70% to 0.01%. The dilution of SML’s interest in OML was agreed upon between SML and Talos to allow Talos to exercise full control of OML upon completion of the OML Rights Issue;
- (d) upon completion of the OML Rights Issue, Talos will hold approximately 90% interest in OML; and
- (e) the current directors of OML whom are appointed by SML will resign from the Board of OML with immediate effect.

The directors of SML have determined that taking into account all matters, including the financial position of SML, the ongoing costs associated with its current obligations in relation to the Project, and the funding required to develop the Project to production, it is in the best interests of SML as a whole to enter into the Separation Agreement. SML will not receive any consideration under the Separation Agreement or from the proceeds of the OML Rights Issue. The Board concurs with the position taken by the board of SML.

Once the OML Rights Issue is completed, OML will cease to be a subsidiary of SML and the Company’s sole asset will be its producing gold mine at Ballarat, held by Castlemaine Goldfields Pty Ltd. The Company shall make impairments to its investment in SML in its financial statement and dividend announcement for the financial year ended 31 March 2016, and will provide further updates on the status of the OML Rights Issue as and when there is any material progress.

The Board confirms that all material disclosures have been provided for trading of the shares in the capital of the Company to continue.

No director and/or controlling shareholder of the Company has any interest, direct or indirect, in the OML Rights Issue.

3. CAUTION IN TRADING

Shareholders are advised to read this announcement and any further announcements by the

Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

4. RESPONSIBILITY STATEMENT

The directors of the Company (including those who may have delegated detailed supervision of the preparation of this announcement) 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, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this announcement misleading.

BY ORDER OF THE BOARD

Tan Soo Khoon Raymond
Executive Director
23 May 2016

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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