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VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

(ARBN: 070 352 500)

Reports and Consolidated Financial Statements

For the year ended 31 March 2018

VIAGOLD CAPITAL LIMITED

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VIAGOLD CAPITAL LIMITED

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

I am pleased to present the 2017/2018 annual results of ViaGold Capital Limited ("VIA") and its subsidiaries collectively referred to as the "Group" and the outlook for 2018.

REVIEW

During the year under review, the Group recorded a consolidated revenue of approximately AUD35,597,000 (period ended 31 March 2017: AUD41,213,000) representing a decrease of approximately 13.5%.

During the review period, the Education Management recorded an increase in revenue of AUD368,000 (period ended 31 March 2017: AUD321,000), representing a moderate increase of 14.6% which is offset by the decrease in revenue in both the Leasing and Capital Financing of AUD215,000 (period ended 31 March 2017: AUD383,000) and that of the Rare Earth Refining and Separation for AUD35,014,000 (period ended 31 March 2017: AUD40,509,000). The loss attributable to the equity holder of the Group for the year ended 31 March 2018 was AUD1,126,000 (period ended 31 March 2017: AUD1,112,000).

GAIN AND LOSS

- (i) The segment loss in rare earth refining and separation was AUD170,000 (2017: profit of AUD654,000) which was mainly attributed to the complicated and ever-changing market environment challenging the rare earth sector. The revenue during the review period was dropped to AUD35,014,000 (2017: AUD40,509,000) whereas the fixed costing for operation remained.
- (ii) The segment profit in education management was AUD8,000 (2017: loss of AUD350,000). During the period that there was a consolidation of three school premises (two schools and one factory training premises) all in Tangjia, Zhuhai, China into one large school premises in Nanping, Zhuhai, China. This contributed to substantial reduction in cost during the period by:
 - a/ Salaries for principals, vice principals and administrative staffs have been reduced by 41%; and
 - b/ the reduction of office rent for the usage of office space in line with the reduction of staffs.
- (iii) The segment loss in leasing and capital financing was AUD168,000 (2017: loss of AUD54,000). During the period, the revenue decreased to AUD215,000 (2017: AUD383,000) attributing to expiration of previous lease and sell of the old vehicles and purchase of the new vehicles that accounted for the decrease in revenue and the increase in loss for the segment. New lease was successfully entered into in November 2017.

As a result, although there was a substantial reduction in segment loss of education management changing it into profit position, the loss in both leasing and capital financing and the rare earth refining and separation segments have overwhelmed it. Nevertheless, the management has manage to achieve only a mild increase of 1.25% of consolidated loss as attributable to the equity holders of the Group.

VIAGOLD CAPITAL LIMITED

CHAIRMAN'S ADDRESS TO SHAREHOLDERS (Continued)

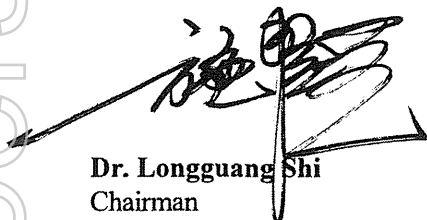
PROSPECT

Looking ahead, the Group will focus on exploring the strategic mergers/acquisitions/joint venture and other opportunities to expand in rare-earth industry and complement our organic growth. We have established productive dialogues with the main players in this industry in China and look forward to entering into memorandum of understandings or agreements of cooperation which will optimize our portfolio while generating gains. We also believe that further improvements in our cost position can strengthen our competitive position and that further diversification in our focus rare-earth industry sector will enhance the value of the shareholders of the Group.

The education management sector is expected to continue to perform on a professional level though it will also encounter with challenges of rising costs. The Group will continue to endeavor to maximize the return by scrutinize the direct labor and rental expenses. Further, we believe that the continuing strong in Chinese Yuan will be a positive impact for the sector. As for car leasing sector, growth is expected since the newly signed leasing contract will cover the full year. Our Beijing team is actively seeking for more long term leasing contracts to sustain a growth pattern for the sector.

APRPECIATION

On behalf of the Board, I would like to express my deepest gratitude to the Group's shareholders, customers, bankers and business associates for their continuing support, and my fellow directors and all the dedicated staffs for their hard work and valuable contribution during the year.



Dr. Longguang Shi
Chairman
30 May 2018

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT

The directors of the Company are primarily responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices in operation throughout the Company for the financial year ended 31 March 2018 (except where otherwise indicated). The Statement also details compliance by the Company with the best practice recommendations set by the Australian Securities Exchange (" ASX ") Corporate Governance Council in its Corporate Governance Principles & Recommendations (third edition) dated 1 July 2014 ("the Guide").

On the date of this report, the Board consists of three executive directors and four non-executive directors. Details of the directors are set out on page 21 in this Report.

The primary responsibilities of the Board include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- the approval of the annual and half year financial statements of the Company;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis; and
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Set out below is a summary of the Corporate Governance policies of the Company and the approach of the Company and the Board to issues of corporate governance. The summary is provided in the context of the Revised Principles set out in the Guide, which principles are regarded by ASX as reflective of the best international practice in the area of corporate governance. As required by the Listing Rules of Australian Securities Exchange Limited (the "ASX Listing Rules") and where applicable, the Company has detailed where it fails to meet those principles and the reasons for that failure.

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1 | Lay solid foundations for management and oversight | | |
| 1.1 | Companies should establish the functions reserved to the Board and management. | <p>The Company has adopted a Board Charter and Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities.</p> <p>The Board Charter sets out the responsibilities of the Board and the matters delegated to the Chief Executive Officer.</p> | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1 | Lay solid foundations for management and oversight (Continued) | | |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | One of the key functions of the Board under its Charter is its responsibility for monitoring the performance of the Chief Executive Officer and senior executives. This required to be done by means of an annual review and evaluation. | Not applicable. |
| 1.3 | Companies should have written agreement with each director and senior executive setting out the terms of their appointment. | All directors must submit their consent to act and resume to the board and the board of the company for consideration. Decision of appointment be made by the board and board minutes and agreement be retained in minutes book with company secretary office and personnel department respectively recording their formal appointment, terms and remuneration. Proper announcement be lodged to ASIC and ASX. | Not applicable. |
| 1.4 | The company secretary of the Company should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | A company secretary is appointed by the board. His key function is to account directory to the board, through the chair, on all matters to do with the proper functioning of the board. | Not applicable. |
| 1.5 | Companies should provide the information indicated in the Guide to reporting on Principle 1. | The Company will provide an explanation of departures (if any) from the Key Principles recommendations 1.1-1.4 (inclusive) in its future annual reports. | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 2 | Structure the Board to add value | | |
| 2.1 | A majority of the Board should be independent directors. | <p>Currently, the Board comprises 7 Directors, of which 4 are non-executive Directors. Mr. Yan Wang, Mr. Fuchuan Guo (appointed on 29 September 2017) and Mr. Xunchang Hu (appointed on 10 November 2017) can be characterized as independent for the purposes of the ASX Guidelines. The other 3 members of the Board are executive directors comprises of Ms. Mulei Shi and Mr. King Choi Leung (both appointed in October 2010), and Mr. Changyuan Liao (appointed on 29 September 2017).</p> <p>All directors are subject to retirement by rotation. The Company's Nomination Committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, to ensure that the Board comprises a number of non-executive directors with an appropriate mix of skills, experience and independence.</p> | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 | Structure the Board to add value (Continued) | | |
| 2.2 | The chair should be an independent director. | <p>The chair, Dr. Longguang Shi, is a non-executive director of the Company. Dr. Shi is not considered to be an independent director by reason of him being a non-executive director of the Company.</p> <p>The Board regards Dr. Shi as the best person to chair the Company in the interests of all shareholders.</p> | The Board recognises the importance of the chair being held by an independent director, however, it believes Dr. Shi to be the most appropriate person for this role, given his diverse background, his long involvement in the Company and his knowledge of its activities. |
| 2.3 | The roles of chair and Chief Executive Officer should not be exercised by the same individual. | The roles of chair and Chief Executive Officer are not exercised by the same individual. | Not applicable. |
| 2.4 | The Board should establish a nomination committee. | <p>The Board has established a Nomination Committee and a Remuneration Committee. The Committees have a charter adopted by the Board which sets out the responsibilities of the Committees.</p> <p>The Nomination Committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, where considered necessary, to ensure that the Board comprises a number of non-executive directors with an appropriate mix of skills and experience. Where necessary, the Committee seeks the advice of external advisers in connection with the suitability of applicants for Board membership. Details of the Nomination Committee members are set out on page 19 in this Report.</p> | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 2 | Structure the Board to add value (Continued) | | |
| 2.4 | | <p>The terms and conditions of appointment of non-executive directors are set out in a formal letter of appointment which deals with the following matters:</p> <ul style="list-style-type: none"> • duration of appointment (subject to the approval of the shareholders); • remuneration; • expectations concerning preparation and attendance at Board meetings; • conflict resolution; and • the right to seek independent legal and professional advice (subject to prior approval of the Chairman). <p>The Committee also assesses and reviews the independence of all non-executive directors.</p> | |
| 2.5 | Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors. | <p>The Charter of the Nomination Committee requires that it:</p> <ul style="list-style-type: none"> • annually reviews the composition of the Board; • assesses the independence of non-executive directors; • assesses the processes of the Board and Board committees; • assesses the Board's performance; • assesses each director's performance before the director stands for re-election; and • seeks advice of external advisors in connection with the suitability of applicants for Board membership. | Not applicable. |

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CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 2 | Structure the board to add value (Continued) | | |
| 2.6 | Companies should provide the information indicated in the Guide to reporting Principle 2. | The Company will continue to provide information concerning the directors, the independence of directors, the performance of the Board and the remuneration of its directors and an explanation of departures (if any) from the Key Principles recommendations 2.1 - 2.5 (inclusive) in its future annual reports. | Not applicable. |
| 3 | Promote ethical and responsible decision making | | |
| 3.1 | <p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <p>(a) the practices necessary to maintain the confidence in the Company's integrity;</p> <p>(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</p> <p>(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</p> | <p>As part of the Board's commitment to the highest standard of conduct, the Company has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities.</p> <p>The code of conduct covers such matters as:</p> <ul style="list-style-type: none"> • responsibilities to shareholders; • compliance with laws and regulations; • ethical responsibilities; • relations with customers and suppliers; • employment practices; and • responsibilities to the environment and the community. | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 3 | Promote ethical and responsible decision making (Continued) | | |
| 3.2 | Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. | <p>The Company's Share Trading Policy contains guidelines and restrictions concerning trading in the Company's securities.</p> <p>This Policy is published on the Company's website.</p> | Not applicable. |
| 3.3 | Companies should provide the information indicated in the Guide to reporting on Principle 3. | The Company will provide an explanation of departures (if any) from the Key Principles recommendations 3.1 - 3.2 (inclusive) in its future annual reports. | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Safeguard integrity in financial reporting | | |
| 4.1 | The Board should establish an audit committee. | The Board has established an Audit Committee. The Audit Committee Charter adopted by the Board sets out its responsibilities. Details of the Audit Committee members are set out on page 19 in this Report. | Not applicable. |
| 4.2 | <p>The audit committee should be structured so that it:</p> <p>(a) consists only of non-executive directors;</p> <p>(b) consists of a majority of independent directors;</p> <p>(c) is chaired by an independent chair, who is not the chair of the Board; and</p> <p>(d) has at least 3 members.</p> | <p>The Audit Committee presently consists of two independent non-executive director, being Mr. Yan Wang and Mr. Fuchuan Guo (appointed on 29 September 2017). The Audit Committee provides a forum for the effective communication between the Board and external auditors. The audit committee reviews:</p> <ul style="list-style-type: none"> • the annual and half-year financial statements prior to their approval by the Board. • the effectiveness of management information systems and systems of internal control; • the appointment of external auditors; and • the efficiency and effectiveness of the external audit functions, including reviewing the relevant audit plans. | <p>While not in accordance with the best practice recommendations, the Board is of the view that the experience and professionalism of the persons on the Committee is sufficient to ensure that all significant matters are addressed and actioned.</p> <p>The Company is also satisfied that the composition of the Audit Committee suits the present geographic diversity of the Company.</p> |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 4 | Safeguard integrity in financial reporting (Continued) | | |
| 4.3 | The audit committee should have a formal charter. | The Audit Committee has a formal charter. | Not applicable. |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4. | The Company will provide an explanation of departures (if any) from the Key Principles recommendations 4.1 - 4.3 (inclusive) in its future annual reports. | Not applicable. |
| 5 | Make timely and balanced disclosure | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | The Company's Board Charter and disclosure protocol set out the procedure for: <ul style="list-style-type: none">• protecting confidential information from unauthorised disclosure;• identifying price sensitive information;• reporting material price sensitive information to the company secretary for review; | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 5 | Make timely and balanced disclosure (Continued) | | |
| 5.1 | | <ul style="list-style-type: none"> • ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules (including dealings and discussions with analysts, professional bodies, the media or customers); and • ensuring the Company and individual officers do not contravene the Corporations Act or the ASX Listing Rules (including restrictions on media interviews or presentations). <p>The Board considers issues of continuous disclosure at each of its meetings.</p> <p>The Company also regularly reviews such matters as:</p> <ul style="list-style-type: none"> • continuing education/provision of relevant parts of Listing Rules of Australian Stock Exchange Limited (the “ASX Listing Rules”); • the right of its officers to seek independent legal advice; • directors and officers insurance; • setting and promulgation of ethical standards; • auditing arrangements; | |

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CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 5 | Make timely and balanced disclosure (Continued) | | |
| 5.1 | | <ul style="list-style-type: none"> • identification and management of business risks; • related party transactions; and • compliance with the ASX Listing Rules. <p>Mr. King Choi Leung, Peter and the local Australian agent, Mr. Chi Keung Chow, Herman have primary responsibility for all communications with the ASX in relation to the ASX Listing Rules matters.</p> | |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5. | The Company will provide an explanation of departures (if any) from Key Principles recommendations 5.1 in its future annual reports. | Not applicable. |
| 6 | Respect the rights of shareholders | | |
| 6.1 | Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | <p>The Company places a high priority on communications with shareholders and is aware of the obligations as a listed company, under the Corporations Act and the ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.</p> <p>Information is communicated to shareholders as follows:</p> <ul style="list-style-type: none"> • through the ASX company announcements platform; | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 6 | Respect the rights of shareholders (Continued) | | |
| 6.1 | | <ul style="list-style-type: none"> • through notices of meetings of shareholders; and • by provision of documents that are released to the public on the Company's website. | |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6. | The Company will provide an explanation of departures (if any) from the Key Principles recommendations 6.1 in its future annual reports. | Not applicable. |
| 7 | Recognise and manage risk | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operational and financial aspects of the Company's activities. Through the Audit Committee, the Board considers the recommendations and advice of external auditors and other advisers on the operational and financial risks that are facing the Company. | Not applicable. |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. | Where necessary, the Board ensures that its recommendations are investigated and appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified. In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel. | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 7 | Recognise and manage risk (Continued) | | |
| 7.3 | The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Prior to finalising the full year and half year financial statements and reports of the Company, the Audit Committee undertakes such investigations and reviews each year as it determines to be necessary to confirm the integrity of the financial reporting of the Company. Included in those steps, the Board requires the Chief Executive Officer and the Chief Financial Officer to make a statement (and sign off to the Board) on the management and internal controls of the Company and the financial reporting. | Not applicable. |
| 7.4 | The Board disclose whether it has any material exposure to economic, environmental and social sustainability risk and, if it does, how it manages or intends to manage those risks. | The Board recognizes the importance of ensuring the economic, environmental and social sustainability of the Company. The board monitors sustainability issues and works closely with management to establish best practice around environmental efficiency and waste; and collaborate closely with all stakeholders in setting sustainability objectives for product and services development. | Not applicable. |
| 7.5 | Companies should provide the information indicated in the Guide to reporting on Principle 7. | The Company will provide an explanation of departures (if any) from the Key Principles recommendations 7.1 - 7.4 (inclusive) in its future annual reports. | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 8 | Remunerate reasonably and fairly | | |
| 8.1 | The Board should establish a remuneration committee. | The Board has a Remuneration Committee. | Not applicable. |
| 8.2 | The remuneration committee should be structured so that it: (a) consists of a majority of independent directors; (b) is chaired by an independent chair, (c) has at least 3 members. | The Remuneration Committee presently consists of two independent non-executive director, being Mr. Yan Wang and Mr. Fuchuan Guo, and one executive director Mr. Changyuan Liao. Mr. Yan Wang is the chair of the committee. | Not applicable. |
| 8.3 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | The remuneration of executive directors and senior executives are clearly distinguished in the annual report. Details of the Committee members are set out on page 19 in this report. <i>Executive's remuneration</i> Remuneration packages may contain any or all of the following: • annual salary based on the relevant market; • ad hoc rewards, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution: • a lump sum payment related to achievement of identified business drivers and personal key performance indicators measured over a year; and | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|-----|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 8 | Remunerate reasonably and fairly (Continued) | | |
| 8.3 | | <p>• other benefits such as holidays, sickness benefits, superannuation payments.</p> <p>The Remuneration Committee reviews the remuneration of executives every year and consider individual performance, comparative remuneration in the market and where appropriate, external advice. The Committee provides this information together with a recommendation to the Board for consideration.</p> <p>Director's remuneration</p> <p>Remuneration of the director is determined with regard to the Company's need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the marketplace. The Remuneration Committee may from time to time seek independent advice in relation to the remuneration of Board members and may make recommendations to members in relation to any total fee increase. The Board reviews directors' remuneration on annual basis.</p> <p>From time to time, the Board may ask individual director to devote extra time or to undertake extra duties. Directors who undertake these tasks at the Board's direction may receive extra amounts. Directors are also reimbursed for expenses associated with undertaking their duties.</p> | |

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CORPORATE GOVERNANCE STATEMENT (Continued)

| No. | ASX Key Governance Principles | Compliance | Non-compliance |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 8 | Remunerate reasonably and fairly (Continued) | | |
| 8.4 | Companies which have equity based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it | The Company has an employee share option scheme detail of the scheme, including movement in the share options granted should be stated in annual report of each fiscal year. | Not applicable. |
| 8.5 | Companies should provide the information indicated in the Guide to reporting on Principle 8. | The Company will provide and explanation of departures (if any) from the Key Principles recommendations 8.1 - 8.4 in its future annual reports. | Not applicable. |

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Nomination Committee

The Board has established a Nomination Committee consisting of the following directors and officers:

Mr. Yan Wang
Mr. Changyuan Liao (appointed on 29 September 2017)
Mr. Libin Sun (resigned on 29 September 2017)

Audit Committee

The Board has established an Audit Committee consisting of the following independent non-executive directors and officers:

Mr. Yan Wang
Mr. Fuchuan Guo (appointed on 29 September 2017)
Mr. Ouyang Cong (resigned on 29 September 2017)

Corporate Governance Committee

The Board has established a Corporate Governance Committee consisting of the following directors and officers:

Mr. Yan Wang
Mr. Changyuan Liao (appointed on 29 September 2017)
Mr. Libin Sun (resigned on 29 September 2017)

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following directors and officers:

Mr. Yan Wang
Mr. Changyuan Liao (appointed on 29 September 2017)
Mr. Fuchuan Guo (appointed on 29 September 2017)
Mr. Ouyang Cong (resigned on 29 September 2017)
Mr. Libin Sun (resigned on 29 September 2017)

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Directors' emoluments

For the year ended 31 March 2018, the annual directors' remuneration are as follows:

| Name of directors | Amount AS'000 |
|--------------------------|--------------------------|
| Dr. Longguang Shi | 119 |
| Ms. Mulei Shi* | 71 |
| Mr. King Choi Leung | 84 |
| Mr. Yan Wang | - |
| Mr. Libin Sun | 20 |
| Mr. Ouyang Cong | - |
| | <hr/> <hr/> |

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT

The directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND BUSINESS ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in investment holdings, leasing and capital financing, rare earths industry as well as consultancy and management services to educational institutions. Details of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Ms. Mulei Shi (Chief Executive Officer)
Mr. King Choi Leung
Mr. Changyuan Liao (appointed on 29 September 2017)
Mr. Libin Sun (resigned on 29 September 2017)

Non-executive directors:

Dr. Longguang Shi (Chairman)

Independent non-executive directors:

Mr. Yan Wang
Mr. Fuchuan Guo (appointed on 29 September 2017)
Mr. Xunchang Hu (appointed on 10 November 2017)
Mr. Ouyang Cong (resigned on 29 September 2017)

In accordance with Article 19.1 of the Company's Bye-Laws, Ms. Mulei Shi, Mr. Yan Wang, Mr. Changyuan Liao, Mr. Fuchuan Guo and Mr. Xunchang Hu retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

All of the remaining directors, including the non-executive directors, are subject to retirement by rotation in accordance with the Company's Bye-Laws.

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DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

VIAGOLD - MANAGEMENT TEAM

Chairman and Non-Executive Director - Dr. Longguang Shi

Dr. Longguang Shi was appointed as Chairman and non-executive director of the Company in September 2010. Dr. Shi is the founder and chairman of LongDa Education Management Group. He is life-long engaged in education carrier for over 30 years. Dr. Shi is engaging in both vocational and competence training education, providing professional consulting and management services to vocational education schools and developing education related businesses. Dr. Shi has a doctorate degree in Business Administration and Philosophy, a master degree in Economics and an MBA degree. Dr. Shi is also the vice-chairman of numerous Provincial and Municipal higher education associations.

CEO and Executive Director- Ms. Mulei Shi

Ms. Mulei Shi was appointed as CEO and executive director of the Company in October 2010. Ms. Shi holds a bachelor degree in Economic and Law and an MBA concentrated in Finance from the United States. She served in a top investment bank in New York and worked in a large global enterprise - Konka Group, the giant manufacturer of electronic products that is listed in the Shenzhen Stock Exchange (Code: 000016 Shenzhen B Shares). She is the vice-principal of a Zhuhai vocational school and achieved rich management experience. Additionally, she is also the executive director of the Association of Young Entrepreneurs, Guangdong Province.

CFO, Executive Director and Company Secretary- Mr. King Choi Leung

Mr. Leung was appointed as CFO and executive director of the Company in October 2010 and as Company secretary in August 2015. Mr. Leung has 15 years banking experience and was formerly a corporate banking manager of BNP-Paribas. He has over 20 years experience in management. He had been the executive director of Maytex Group; the deputy president of the Deans brand apparel company in New York (a large US fashion importer) and the Finance Director of Digital City Hong Kong Limited. Mr. Leung holds an Honors Business Administration (HBA) degree from the Richard Ivey Business School of the University of Western Ontario, Canada.

Executive Director - Mr. Changyuan Liao

Mr. Changyuan Liao, age 53, an MBA from Royal Roads University, British Columbia, Canada, is one of the co-founders and chairman of the Administrative Committee of Ling Ge Art Foundation established in Macao, China. He is vice-chairman of Maoming Jinshen Mining Company Limited, a subsidiary of rising nonferrous Metals Share Co., Ltd which is a listed company listed on the Shanghai Stock Exchange (Code: 600259). He had serviced in the People's Bank of China, Zhuhai branch and had been the legal representative and general manager of Urban Credit Cooperatives of Doumen District, Zhuhai, Guangdong Province, China and chairman of Shenzhen Xingbang Investment Co., Limited. Mr. Liao has over 30 years business management experience in finance and the rare earth mining sectors.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

VIAGOLD - MANAGEMENT TEAM (Continued)

Independent Non-Executive Director - Mr. Yan Wang

Mr. Yan Wang serves as an Independent Non-Executive Director of the Group since 17 September 2012. Mr. Wang is an economist by training and has consulted to a number of international companies with operations in China. He has held executive management positions as Managing Director of Nanda High Tech VC Company. Prior to that he was Deputy Managing Director of Jiangsu Far East International Assessment Company both of these are located in Jiangsu Province of China. Mr. Wang holds a bachelors degree from Hohai University, Nanjing.

Independent Non-Executive Director - Mr. Fuchuan Guo

Mr. Fuchuan Guo, age 51, graduated from the Guangdong University of Finance in China and major in Urban Finance, Mr. Guo holds Registered Qualification Certificate of Enterprise Legal Advisor of the People's Republic of China and Certificate of Accounting Profession. Mr. Guo has over 30 years experience in credit management, risk control, financial management, legal affairs and asset assessment. He is deputy General Manager of Guolianghang Assets Appraisal Company Limited. He had served as Section Chief of credit department at Jialing Branch of the Industrial and Commercial Bank of China and Chief Financial Officer of Shenzhen Baixinbai Investment Company Limited.

Independent Non-Executive Director - Mr. Xunchang Hu

Mr. Xunchang Hu, age 57, senior engineer and Assistant to General Manager of Guangdong Rare Earth Industry Group Limited which is one of the largest scale state-owned rare earth groups in China. Mr. HU holds a Bachelor Degree in Engineering from Jiangxi University of Science and Technology and major in non-ferrous metallurgy, and had served as Director of Marketing and Production Operations in the Guangdong rising Nonferrous Metal Co., Ltd which is listed on Shanghai Stock Exchange (Code: 600259) from November 2007 to September 2014. Before that, he had also served in Jiujiang Tanbre's Smeltery, Jiangxi Province, and the Bureau of Land and resources of Jiujiang County. Mr. Hu's has over 30 years business management experience in non-ferrous metals and rare earth sectors, especially in the aspect of trade and processing of rare earth and applications of the technologies of the new materials.

COMPANY SECRETARY

Mr. King Choi Leung (see Biographical Details of Directors on page 22 of this report)

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Pursuant to the Company's Bye-Law 39 and a special resolution passed at the Annual General Meeting of Shareholders held on 24 May 2002, the Company shall pay or agree to pay a premium in respect of a policy insuring any person who is, or has been, an officer of the Company or a subsidiary of the Company against any liability in respect of which the Company would be required to indemnify such person pursuant to Bye-Law 39; and despite anything to the contrary expressed or implied in these Bye-Laws, each director will, so long as and to the extent that his interest under any such contract of insurance which is under consideration by the directors is that of an insured party, be deemed to have declared his interest pursuant to Bye-Law 18.10(g) in respect thereof, and shall be entitled to vote and be counted in the quorum on any resolution of the Board in respect thereof even though such director may be materially interested therein.

MEETINGS OF DIRECTORS

The attendance of the directors at Board meetings for the financial year is as follows:

| Directors | Held | Attended |
|---------------------|-------------|-----------------|
| Dr. Longguang Shi | 9 | 9 |
| Ms. Mulei Shi | 9 | 9 |
| Mr. King Choi Leung | 9 | 9 |
| Mr. Yan Wang | 9 | 9 |
| Mr. Libin Sun | 9 | 3 |
| Mr. Ouyang Cong | 9 | 0 |
| Mr. Changyuan Liao | 9 | 5 |
| Mr. Fuchuan Guo | 9 | 5 |
| Mr. Xunchang Hu | 9 | 4 |

RESULTS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 37 and 38. The directors do not recommend the payment of a dividend.

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the coming financial year.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

(i) Shares

At 31 March 2018, the interests of the Company's directors and their associates in the issued share capital are as follows:

| Name | Number of shares held | |
|---------------------|------------------------------|----------------------------|
| | Personal interests | Corporate interests |
| Dr. Longguang Shi | - | 6,000,000 |
| Ms. Mulei Shi | - | 4,000,000 |
| Mr. King Choi Leung | 150,000 | - |

Note:

Dr. Longguan Shi and Ms. Mulei Shi are the beneficial owners of Capital Luck Group Limited.

(ii) Share options

Employee share option scheme

On 19 December 2007, ordinary resolutions were passed by the shareholders at the annual general meeting to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the old share scheme (the "Old Scheme") which were adopted on 28 November 1995.

The Company changed the share option scheme because of the limited participation by senior management, employees and director provided by the Old Scheme. Under the New Scheme, it offers a wider participation by directors, employees, management, contractors and consultant.

The participants of New Scheme are the employee of the Company. No option may be issued to a person under the plan unless the person remains as an employee as at the date of grant, or the Plan Committee determines otherwise.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

The employee means:

- (a) an individual whom the Plan Committee determines to be in the full-time or part-time employment of a body corporate in the Group (including any employee on parental leave, long service leave or other special leave as approved by the Plan Committee);
- (b) a director of a body corporate in the Group;
- (c) a director of the Company;
- (d) an individual who provides services to a body corporate in the Group whom the Plan Committee determines to be an employee for the purposes of the Plan;
- (e) an individual whose associate (as that expression is defined in section 139GE of the Income Tax Assessment Act 1936) provides services to a body corporate in the Group, which individual the Plan Committee determines to be an employee for the purposes of the Plan; or
- (f) an individual otherwise in the employment of a body corporate in the Group whom the Plan Committee determines to be an employee for the purposes of the Plan.

The total number of shares in respect of which option may be granted under the New Scheme is not permitted to exceed 10% of the total number of issued shares in the Company as at the date of the offer.

The option granted under the New Scheme will be non-transferable, it means that they cannot be sold, transferred, mortgaged, charged or otherwise disposed of or dealt with by the participant prior to exercise except as permitted under Rule 10.3 which are stated as follows.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

Rule 10.3 stated that Options may be transferred, by an instrument of transfer, in the following circumstances only:

- (a) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to options;
- (b) a transfer to a bidder on the sale of the Options under any provision of an applicable law that entitles the bidder to compulsorily acquire the options;
- (c) a transfer to a 100% holder of shares on the sales of the options under any provision of an applicable law that requires the holder to compulsorily acquire the options;
- (d) a transfer under any provision of an applicable law to any person required to acquire the options, if offered for sales, under such provision of the applicable law;
- (e) a transfer in accordance with a scheme of arrangement relating to the options which has become binding in accordance with the provisions of any applicable law;
- (f) if approved by the Board, which approval must not be unreasonably withheld or delayed, a transfer to a related entity of the Participant; or
- (g) any other transfer approved by the Board, which approval may be withheld or delayed or be made subject to conditions at the absolute discretion of the board.

Options will be issued for consideration comprising the services that are expected to be provided by an eligible employee to or for the benefit of the Group but no further monetary or other consideration will be payable in respect of the issue of an option.

The exercise price in respect of an option is as determined by the Plan Committee and must be denominated and payable in Australian dollars.

The New Share Scheme was approved by the shareholders of the Company on 19 December 2007.

VIAGOLD CAPITAL LIMITED**DIRECTORS' REPORT****DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)****(ii) Share options (Continued)****Employee share option scheme (Continued)**

Movements in the share options granted are set out below:

| Eligible person | Balance as at 1 April 2017 | Number of underlying shares | | | Lapsed during the year | Balance as at 31 March 2018 | Exercise price per share \$A | Date of grant (dd/mm/yyyy) | Exercisable period (dd/mm/yyyy) |
|-----------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|------------------------------|--------------------------------|------------------------------------|-----------------------------------------|---------------------------------------|
| | | Granted during the year | Exercised during the year | Cancelled during the year | | | | | |
| Employees | 130,000 | - | - | - | 130,000 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Consultants | 1,218,792 | - | - | - | 1,218,792 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Consultants | 4,500,000 | - | - | (4,500,000) | - | 1 | 01/11/2012 | 08/04/2018 01/11/2012- 01/11/2017 | |
| Former directors | | | | | | | | | |
| Mr. Jack Chik Ming Chu | 100,000 | - | - | - | 100,000 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Mr. Pierre Seligman | 100,000 | - | - | - | 100,000 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Mr. William Kam Bui Tam | 50,000 | - | - | - | 50,000 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Mr. Cheong Sao Tai | 50,000 | - | - | - | 50,000 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Mr. Henry Chang Manayan | 50,000 | - | - | - | 50,000 | 2 | 17/12/2008 | 08/04/2018 17/12/2008- 16/12/2018 | |
| Mr. James Anthony Wigginton | 50,000 | - | - | - | 50,000 | 2 | 19/12/2007 | 08/04/2008- 08/04/2018 | |
| Total | 6,248,792 | - | - | (4,500,000) | 1,748,792 | | | | |

The Company adopts the Binomial Option Pricing Model for estimating the fair value of share options issued under the Share Option Scheme. The model is one of the commonly used models to estimate the fair value of a share option which can be exercised before the expiry of the option period.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

Significant assumptions are used in the Binomial Option Pricing Model to estimate the value of the share option granted on the grant date, taking into account the following factors:

- Risk-free interest rate - the yields of Australian Government Bonds.
- Expected volatility - the historical volatility of the share prices of the Company.

Binomial Option Pricing Model is subject to certain fundamental limitations because of the subjective nature of and uncertainty relating to the assumptions and inputs to the model as well as certain inherent limitation of the model itself. Any changes in the above assumptions or inputs may materially affect the fair value estimation.

Consultant is classified as employee under the New Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 29 to the consolidated financial statements, no other contract of significance in relation to the Group's business to which the Company, its ultimate holding company, or any of its subsidiaries or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' BENEFITS

Other than as disclosed in note 9 to the consolidated financial statements, during the year, no director of the Company has received or become entitled to receive a benefit because of a contract that the director or a firm of which the director is a member or a company in which the director has a substantial financial interest made with the Company or a company that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive the benefit.

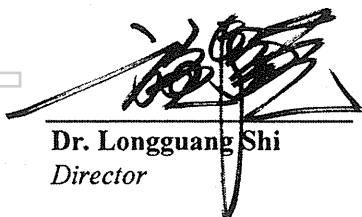
PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

The consolidated financial statements have been audited by Messrs. Cheng & Cheng Limited, who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Dr. Longguang Shi
Director

30 May 2018

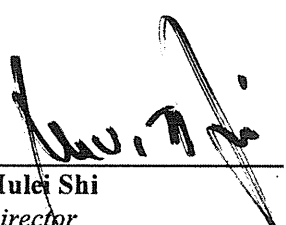
VIAGOLD CAPITAL LIMITED

DIRECTORS' DECLARATION

The directors of the Company declare that, for the year ended 31 March 2018:

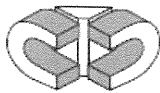
- 1 The attached consolidated financial statements and notes thereto as set out on pages 37 to 99:
 - (a) comply with the International Financial Reporting Standards; and
 - (b) present fairly of the Group's financial position as at 31 March 2018 and of its performance for the financial year then ended.
- 2 In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed on behalf of and in accordance with a resolution of Board of directors.



Mule Shi
Director

30 May 2018



CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of VIAGOLD CAPITAL LIMITED (the "Company") and its subsidiaries ("the Group") set out on pages 37 to 99, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

**TO THE SHAREHOLDERS OF
VIAGOLD CAPITAL LIMITED**

(Incorporated in Bermuda with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How the matter was addressed in our audit

Goodwill

Refer to note 16 in the consolidated financial statements

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Group has goodwill of A\$2,856,000 relating to the acquisition of subsidiaries in rare earth refining and separation segment.</p> <p>On an annual basis, management are required to perform an impairment assessment for goodwill, this assessment involves significant management judgment in the application of valuation models and assumptions.</p> <p>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.</p> <p>Management engaged an external valuer to perform the valuation for the recoverable amount of the cash-generating unit of which the goodwill was allocated to and has concluded that there is no impairment in respect of the goodwill. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.</p> | <p>Our procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> - evaluation of the independent external valuers' competence, capabilities and objectivity; - assessing the valuation methodology in the valuation report supporting goodwill with the independent external valuer; - challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and - reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets. |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

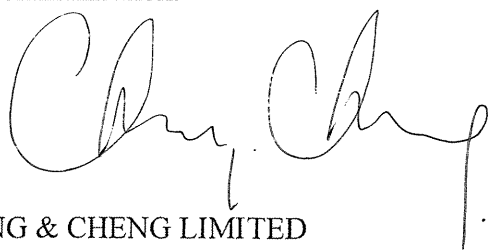
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



CHENG & CHENG LIMITED
Certified Public Accountants

Hong Kong, 30 May 2018

Chan Shek Chi
Practising Certificate number P05540

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the year ended 31 March 2018

| | Note | 2018 A\$'000 | 2017 A\$'000 |
|-------------------------------------------------------------------------|------|-------------------------|-------------------------|
| Turnover | 5 | 35,597 | 41,213 |
| Cost of services and sales | | <u>(33,390)</u> | <u>(37,953)</u> |
| Gross profit | | 2,207 | 3,260 |
| Other income | 6 | 266 | 402 |
| Administrative expenses | | (3,349) | (3,497) |
| Impairment loss on interest in an associate | | (191) | - |
| Share of result of an associate | | 29 | (30) |
| Finance costs | 7 | <u>(112)</u> | <u>(819)</u> |
| Loss before income tax | 8 | (1,150) | (684) |
| Income tax expenses | 11 | <u>(203)</u> | <u>(102)</u> |
| Loss for the year | | <u><u>(1,353)</u></u> | <u><u>(786)</u></u> |
| Attributable to: | | | |
| Equity holders of the Company | | (1,126) | (1,112) |
| Non-controlling interests | | <u>(227)</u> | <u>326</u> |
| | | <u><u>(1,353)</u></u> | <u><u>(786)</u></u> |
| Loss per share attributable to the equity holders of the Company | 13 | | |
| - Basic | | <u>(A\$0.03)</u> | <u>(A\$0.03)</u> |
| - Diluted | | <u><u>(A\$0.03)</u></u> | <u><u>(A\$0.03)</u></u> |

The notes on pages 43 to 99 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

| | 2018 | 2017 |
|---------------------------------------------------------------|-------------------|-----------------------|
| | AS'000 | AS'000 |
| Loss for the year | (1,353) | (786) |
| Other comprehensive income/(loss) for the year | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange realignment on translation of: | | |
| - Financial statements of overseas subsidiaries | <u>1,518</u> | <u>(3,539)</u> |
| Total comprehensive income/(loss) for the year | <u><u>165</u></u> | <u><u>(4,325)</u></u> |
| Total comprehensive income/(loss) attributable to: | | |
| Equity holders of the Company | (566) | (550) |
| Non-controlling interests | <u>731</u> | <u>(3,775)</u> |
| | <u><u>165</u></u> | <u><u>(4,325)</u></u> |

The notes on pages 43 to 99 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| | Note | 2018 AS'000 | 2017 AS'000 |
|-------------------------------------|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | 14 | | |
| - Investment property | | 537 | 525 |
| - Plant and equipment | | 8,752 | 8,265 |
| Land use rights | 15 | 4,421 | 4,206 |
| Interests in an associate | 25 | 337 | 465 |
| Goodwill | 16 | 2,856 | 2,778 |
| Available-for-sale financial assets | 17 | 2,278 | 1,614 |
| | | <u>19,181</u> | <u>17,853</u> |
| Current assets | | | |
| Trade and other receivables | 18 | 21,270 | 19,988 |
| Inventories | 19 | 69,087 | 65,005 |
| Pledged bank deposits | 20 | 1,036 | 562 |
| Cash and cash equivalents | 21 | 923 | 1,374 |
| | | <u>92,316</u> | <u>86,929</u> |
| Total assets | | <u>111,497</u> | <u>104,782</u> |

The notes on pages 43 to 99 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2018

| | Note | 2018 A\$'000 | 2017 A\$'000 |
|---------------------------------------------------------------------------|------|-----------------|-----------------|
| CAPITAL AND RESERVES | | | |
| Equity | | | |
| Share capital | 22 | 8,331 | 8,031 |
| Reserves | | 8,615 | 8,416 |
| Capital and reserves attributable to the equity holders of the Company | | 16,946 | 16,447 |
| Non-controlling interests | | 33,074 | 32,343 |
| Total equity | | 50,020 | 48,790 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 24 | 12,820 | 11,578 |
| Current liabilities | | | |
| Trade and other payables | 26 | 46,548 | 44,383 |
| Tax payable | | 36 | 31 |
| Short-term bank borrowing | 27 | 2,073 | - |
| | | 48,657 | 44,414 |
| Net current assets | | 43,659 | 42,515 |
| Total equity and liabilities | | 111,497 | 104,782 |


Longguang Shi
Director


Mulei Shi
Director

The notes on pages 43 to 99 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018

| | Attributable to equity holders of the Company | | | | | | | | | |
|----------------------------------------------------------------------------|-----------------------------------------------|--------------------------|--------------------------------|--------------------------------|----------------------------|---------------------------------------------|-------------------------------|----------------------|--------------------------------------|-------------------------|
| | Share capital A\$'000 | Share premium A\$'000 | Translation reserve A\$'000 | Contributed surplus A\$'000 | Warrant reserve A\$'000 | Share-based compensation reserve A\$'000 | Accumulated losses A\$'000 | Sub-total A\$'000 | Non-controlling interests A\$'000 | Total equity A\$'000 |
| As at 1 April 2016 | 6,231 | 29,315 | (28,348) | 47,645 | 1,440 | 2,949 | (58,165) | 1,067 | 510 | 1,577 |
| - Total comprehensive income/(loss) for the year | - | - | 562 | - | - | - | (1,112) | (550) | (3,775) | (4,325) |
| Transactions with equity holders in their capacity | 6,231 | 29,315 | (27,786) | 47,645 | 1,440 | 2,949 | (59,277) | 517 | (3,265) | (2,748) |
| - Issuance of new shares | 1,800 | 14,130 | - | - | - | - | - | 15,930 | - | 15,930 |
| - Increase in non-controlling interests as a result of acquisition | - | - | - | - | - | - | - | - | 35,608 | 35,608 |
| As at 31 March 2017 | 8,031 | 43,445 | (27,786) | 47,645 | 1,440 | 2,949 | (59,277) | 16,447 | 32,343 | 48,790 |
| As at 1 April 2017 | 8,031 | 43,445 | (27,786) | 47,645 | 1,440 | 2,949 | (59,277) | 16,447 | 32,343 | 48,790 |
| - Total comprehensive income/(loss) for the year | - | - | 560 | - | - | - | (1,126) | (566) | 731 | 165 |
| Transactions with equity holders in their capacity | 8,031 | 43,445 | (27,226) | 47,645 | 1,440 | 2,949 | (60,403) | 15,881 | 33,074 | 48,955 |
| - Issuance of shares by exercise of warrants | 300 | 885 | - | - | (120) | - | - | 1,065 | - | 1,065 |
| - Transfer of warrant reserve upon lapse of warrants | - | - | - | - | (240) | - | 240 | - | - | - |
| - Transfer of share-based compensation reserve upon lapse of share options | - | - | - | - | - | (1,242) | 1,242 | - | - | - |
| As at 31 March 2018 | 8,331 | 44,330 | (27,226) | 47,645 | 1,080 | 1,707 | (58,921) | 16,946 | 33,074 | 50,020 |

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- i. it is, or would after the payment be, unable to pay its liabilities as they become due; or
- ii. the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

| | Note | 2018 AS'000 | 2017 AS'000 |
|--------------------------------------------------------------|-------|-------------------|---------------------|
| Operating activities | | | |
| Net cash (used in)/generated from operating activities | 28(a) | <u>(2,971)</u> | <u>21,634</u> |
| Investing activities | | | |
| Net cash inflow from acquisition of subsidiaries | | - | 1,025 |
| Purchase of fixed assets | 14 | (1,081) | (1,025) |
| Purchase of available-for-sale financial assets | | (481) | (1,614) |
| Proceeds from disposal of plant and equipment | | 203 | 759 |
| Interest received | | <u>54</u> | <u>20</u> |
| Net cash used in investing activities | | <u>(1,305)</u> | <u>(835)</u> |
| Financing activities | | | |
| Interest paid | | (112) | (819) |
| (Increase)/decrease of pledged fixed deposits | | (474) | 1,369 |
| Repayment of bank loans | | - | (18,234) |
| Proceeds from bank loans | | 2,073 | - |
| Proceeds from issuance of new shares by exercise of warrants | | <u>1,065</u> | <u>-</u> |
| Net cash generated from/(used in) financing activities | | <u>2,552</u> | <u>(17,684)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (1,724) | 3,115 |
| Cash and cash equivalents at the beginning of the year | | 1,374 | 1,109 |
| Effect of foreign exchange rate change, net | | <u>1,273</u> | <u>(2,850)</u> |
| Cash and cash equivalents at the end of the year | 21 | <u><u>923</u></u> | <u><u>1,374</u></u> |

The notes on pages 43 to 99 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. General information

ViaGOLD Capital Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Australian Securities Exchange Limited (the "ASX"). The addresses of the registered office and principal place of business of the Company are disclosed on page 102.

The Company and its subsidiaries (together the "Group") are principally engaged in investment holding, assets leasing and capital financing and consultancy and management services to educational institutions. Moreover in May 2016, the Company has completed the acquisition of a company and its subsidiaries which are principally engaged in rare earths processing and refinery. Details of the activities of the Company's principal subsidiaries are set out in note 32.

These consolidated financial statements are presented in units of Australian Dollars (A\$), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 30 May 2018.

2. Significant accounting policies

2.1. Basis of preparation of financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention.

These consolidated financial statements have been prepared under the accrual basis of accounting and on the basis that the Group is a going concern.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs") which are or have become effective.

| | |
|-----------------------|-------------------------------------------------------------|
| Amendments to IAS 7 | Disclosure initiative |
| Amendments to IAS 12 | Recognition of deferred tax assets for unrealised losses |
| Amendments to IFRS 12 | As part of the annual improvements to IFRSs 2014-2016 cycle |

The application of the above amendments to IFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements except for the following:

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effective of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 28(b). Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 28(b), the application of these amendments has had no impact on the Group's consolidated financial statements.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|----------------------------------|----------------------------------------------------------------------------------------------------|
| IFRS 9 | Financial instruments ¹ |
| IFRS 15 | Revenue from contracts with customers and the related amendments ¹ |
| IFRS 16 | Leases ² |
| IFRS 17 | Insurance contracts ⁴ |
| IFRIC 22 | Foreign currency transactions and advance consideration ¹ |
| IFRIC 23 | Uncertainty over income tax treatments ² |
| Amendments to IFRS 2 | Classification and measurement of share-based payment transactions ¹ |
| Amendments to IFRS 4 | Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts ¹ |
| Amendments to IFRS 9 | Prepayment features with negative compensation ² |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ³ |
| Amendments to IAS 19 | Plan amendment, curtailment or settlement ² |
| Amendments to IAS 28 | Long-term interests in associates and joint ventures ² |
| Amendments to IAS 40 | Transfers of investment property ¹ |
| Amendments to IFRSs | Annual improvements to IFRSs 2015-2017 cycle ² |
| Amendments to IAS 28 | As part of the annual improvements to IFRSs 2014-2016 cycle ¹ |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

- 1 Effective for annual periods beginning on or after 1 January 2018.
- 2 Effective for annual periods beginning on or after 1 January 2019.
- 3 Effective for annual periods beginning on or after a date to be determined.
- 4 Effective for annual periods beginning on or after 1 January 2021.

IFRS 9 "Financial instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flow, and that have contractual cash flows that are solely payments of principal and interest on principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9 entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit and loss.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

IFRS 9 "Financial instruments" (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit risk model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impacts on initial application of IFRS 9:

Classification and measurement:

- Unlisted equity instruments classified as available-for-sale financial assets carried at cost less accumulated impairment losses as disclosed in note 17 are qualified for designation as measured at FVTOCI under IFRS 9 and the Group elects this option. For these financial assets, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the treatment under IAS 39.
- The directors of the Company anticipate that the application of the standard may not have a material impact on the Group's other financial assets and liabilities.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

IFRS 9 "Financial instruments" (Continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of IFRS 9 by the Group.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

IFRS 15 Revenue from contracts with customers (Continued)

The Group has assessed the impact of IFRS 15 and does not expect that the application of the standard will have a significant impact on recognition or measurement of income. However, the application of IFRS 15 may result in more disclosures in the consolidated financial statements.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of IFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As at 31 March 2018, the Group did not have non-cancellable operating lease commitments (2017: A\$503,000) as disclosed in note 30(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of the other new and amendments to IFRSs will have material impact on the results and financial position of the Group.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.2. Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March 2018.

Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related cost are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognise directly in the profit or loss.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.2. Consolidation (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

2.3. Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of other comprehensive income.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.3. Associates (Continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2.4. Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

2. Significant accounting policies (Continued)

2.4. Goodwill (Continued)

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2.5. Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.6. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian Dollars ("A\$"), which is the Group's presentation currency, while the Group's transactions are denominated in multi-currencies, including Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Renminbi ("RMB"). The directors of the Company have chosen to present the consolidated financial statements in Australian Dollars on the grounds that the Group is listed in Australia.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.6. Foreign currency translation (Continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.7. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Provision of consultancy and management services to educational institutions

Revenue from management and consulting services to educational institutions are recognised when the services are rendered.

Rare earth refining and separation

Revenue from the sales of minerals and rare earth refining and separation is recognised upon transfer of significant risks and rewards of ownership, which generally coincides with the time when the rare earth products are delivered and the title has passed to the customers.

Interest income

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Lease income

Lease income is recognised over the term of the lease on a straight-line basis.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.8. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.9. Fixed assets

Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure, except for those transferred from property, plant and equipment and land use rights which are measured at fair value at date of transfer. After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16, Property, Plant and Equipment - cost less accumulated depreciation and less accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|---------------------|----------|
| Investment property | 20 years |
|---------------------|----------|

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Other property, plant and equipment

Other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.9. Fixed assets (Continued)

Other property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|-------------------------|--------------|
| Leasehold improvements | 3 - 20 years |
| Plant and machinery | 5 - 10 years |
| Furniture and equipment | 5 - 10 years |
| Motor vehicles | 4 - 10 years |
| Building | 20 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

2.10. Impairment of non-financial assets

Assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.11. Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "pledged bank deposits" in the consolidated statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. As an exception to this, available-for-sale investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognised in the profit or loss as part of "other income" when the Group's right to receive payments is established.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

2. Significant accounting policies (Continued)

2.11. Financial assets (Continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

2. Significant accounting policies (Continued)

2.11. Financial assets (Continued)

Impairment of financial assets classified as available-for-sale

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2.12. Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less provision for impairment, except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15. Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.15. Inventories (Continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any writedown of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writedown of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.16. Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.17. Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly, in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

2. Significant accounting policies (Continued)

2.17. Current and deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or to realise the asset and settle the liability simultaneously.

2.18. Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Pension obligations

The employees of the Company's subsidiaries which operate in the People's Republic of China participates in the central pension scheme (the "CPS") operated by the local government authorities on behalf of its staff. These subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the subsidiaries with respect to the CPS is to pay the ongoing required contribution under the CPS. Contribution under the CPS are charged to the profit or loss as they become payable in accordance with the rules of the CPS.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

2. Significant accounting policies (Continued)

2.18. Employee benefits (Continued)

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees and consultants as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and sales growth targets.) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.19. Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

2. Significant accounting policies (Continued)

2.20. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

2.21. Related parties

A related party is a person or entity that is related to the Group in these financial statements, as follows:-

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled or jointly controlled by a person identified in note 2.21(i).
 - (7) A person identified in note 2.21(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Board of Directors. The Board of Directors identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

3.1. Market risk

i. Foreign exchange risk

The Company has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in the functional currency of the entity to which they relate, mainly RMB and HKD.

ii. Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of change in market interest rates and the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents and bank borrowing, details of which have been disclosed in note 21 and 27. Since the bank interest income and finance costs are insignificant, management considers that cash flow and fair value interest rate risks of the Group are insignificant. Therefore no sensitivity analysis is presented thereon.

3.2. Credit risk

The group's credit risk is primarily attributable to pledged bank deposits, cash and cash equivalent, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

3. Financial risk management (Continued)

3.2. Credit risk (Continued)

The credit risk on pledged bank deposits and cash and cash equivalent is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

The Group has significant concentration of credit risk on trade receivables as they are mainly attributable from certain limited counterparties. At the end of the reporting period, 47% (2017: 81%) and 89% (2017: 97%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the rare earth refining and separation segment.

The Group has significant concentration of credit risk on other receivables as they are mainly attributable from certain limited counterparties. At the end of the reporting period, 33% (2017: Nil) and 75% (2017: Nil) of the total other receivables were due from the Group's largest debtor and the five largest debtors respectively within the rare earth refining and separation segment.

Other than concentration of credit risk on trade and other receivables and liquid funds which are deposited with banks with high credit rating, the Group does not have any other significant concentration of credit risk.

3.3. Liquidity risk

The Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payment, was as follows:

| | Carrying amount | On demand | Less than 1 year |
|--------------------------------------------|----------------------------|----------------------|-----------------------------|
| As at 31 March 2018 | AS'000 | AS'000 | AS'000 |
| Payable and accrued charges | 21,016 | - | 21,016 |
| Amounts due to key management personnel | 1,675 | 1,675 | - |
| Amounts due to related companies | 23,758 | 23,758 | - |
| Short-term bank borrowing | 2,073 | - | 2,073 |
| Total | 48,522 | 25,433 | 23,089 |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

3. Financial risk management (Continued)

3.3. Liquidity risk (Continued)

| As at 31 March 2017 | Carrying amount AS'000 | On demand AS'000 | Less than 1 year AS'000 |
|--------------------------------------------|---------------------------------------|---------------------------------|----------------------------------------|
| Payable and accrued charges | 10,028 | - | 10,028 |
| Amounts due to key management personnel | 10,680 | 10,680 | - |
| Amounts due to related companies | 23,174 | 23,174 | - |
| Total | 43,882 | 33,854 | 10,028 |

3.4. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Company also endeavours to ensure the steady and reliable cash flow from the normal business operation. Apart from short-term bank borrowing, the Group did not raise any debts during the year (2017: Nil).

3.5. Fair value estimation

The carrying amounts of the Group's current financial assets, including trade and other receivables, pledged bank deposits and cash and cash equivalents; and current financial liabilities including trade and other payables and short-term bank borrowing, approximate to their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

3. Financial risk management (Continued)

3.5. Fair value estimation (Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of trade and other receivables

The estimated impairment of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Valuation of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. It is the Group's policy to review the net realisable value of inventories periodically with reference to current market situation and conditions of the items. The Group's management reviewed regularly the suitability of the allowance policy and then applied allowances on those inventories by considering the net realisable value. The Group's management reviewed the inventory age listing to identify slow-moving inventories and then estimated the amount of allowance primarily based on the pricing policy and strategies and the historical experience in selling goods of similar nature.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

4. Critical accounting estimates and judgments (Continued)

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and its subsidiaries do not hold any equity interests in Jintan Hailin Rare Earth Company Limited, nor, in any of its subsidiaries. Nevertheless, under the contractual agreements entered into between the Group, Jintan Hailin Rare Earth Company Limited and the registered owners of Jintan Hailin Rare Earth Company Limited, the directors of the Company determine that the Group has the power to govern the financial and operating policies of Jintan Hailin Rare Earth Company Limited so as to obtain benefits from their activities. As such, Jintan Hailin Rare Earth Company Limited is accounted for as subsidiary of the Group for accounting purposes.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful life and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful life of property, plant and equipment of similar nature and functions. Management will increase/decrease the depreciation charges where useful life are less/more than previous estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

5. Segment information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

- Rare earth refining and separation
- Leasing and capital financing
- Provision of consultancy and management services to educational institutions

Geographically, the Group's businesses are divided into Hong Kong and the People's Republic of China (the "PRC"). The main business in Hong Kong is investment holdings. The businesses in the PRC are segregated into rare earth refining and separation, leasing and capital financing services, and consultancy and management services to educational institutions.

100% of the Group's customers are located in Mainland China and revenue of the Group is derived from operations in Mainland China.

100% of the Group's non-current assets are located in Mainland China. The geographical location of the non-current assets is based on the physical location of assets in the case of investment property, property, plant and equipment and land use rights, and the location of the operation to which they are allocated in the case of goodwill and interests in an associate.

The management assesses the performance of the operating segments based on the profit/loss for the period. This measurement basis excludes corporate income and expenses and result of associate.

All assets are allocated to reportable segments other than interests in an associate and unallocated corporate assets. All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2018

5. Segment information

The segment information for the reporting segments for the year ended 31 March 2018 is as follows:

| | Leasing and capital financing A\$'000 | Provision of consultancy and management services to educational institutions A\$'000 | Rare earth refining and separation A\$'000 | Total A\$'000 |
|-----------------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------|
| Segment revenue | 215 | 368 | 35,014 | 35,597 |
| Inter-segment revenue | - | - | - | - |
| Revenue from external customers | <u>215</u> | <u>368</u> | <u>35,014</u> | <u>35,597</u> |
| Reportable segment (loss)/profit before income tax | (168) | 8 | (170) | (330) |
| Unallocated corporate expenses | | | | (820) |
| Loss before income tax | | | | <u>(1,150)</u> |
| Depreciation | (133) | (11) | (1,053) | (1,197) |
| Amortisation of land use rights | - | - | (59) | (59) |
| Interest income | 2 | - | 52 | 54 |
| Finance costs | - | - | (112) | (112) |
| Gain/(loss) on disposal of plant and equipment | <u>25</u> | <u>-</u> | <u>(2)</u> | <u>23</u> |
| As at 31 March 2018 | | | | |
| Reportable segment assets | 1,981 | 366 | 105,322 | 107,669 |
| Interests in an associate | | | | 337 |
| Unallocated corporate assets | | | | 3,491 |
| Consolidated total assets | | | | <u>111,497</u> |
| Additions to non-current assets (Other than financial instruments) | <u>765</u> | <u>236</u> | <u>80</u> | <u>1,081</u> |
| Reportable segment liabilities | (100) | (797) | (59,256) | (60,153) |
| Unallocated corporate liabilities | | | | (1,324) |
| Consolidated total liabilities | | | | <u>(61,477)</u> |

The Group's customer base includes two (2017: two) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to A\$10,981,000 and A\$5,037,000 each which related to rare earth refining and separation segment (2017: A\$16,542,000 and A\$10,118,000 each which related to rare earth refining and separation segment).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2018

5. Segment information (Continued)

The segment information for the reporting segments for the year ended 31 March 2017 is as follows:

| | Leasing and capital financing AS'000 | Provision of consultancy and management services to educational institutions AS'000 | Rare earth refining and separation AS'000 | Total AS'000 |
|-----------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------|
| Segment revenue | 383 | 321 | 40,509 | 41,213 |
| Inter-segment revenue | - | - | - | - |
| Revenue from external customers | <u>383</u> | <u>321</u> | <u>40,509</u> | <u>41,213</u> |
| Reportable segment (loss)/profit before income tax | (54) | (350) | 654 | 250 |
| Unallocated corporate expenses | | | | (934) |
| Loss before income tax | | | | <u>(684)</u> |
| Depreciation | (48) | (7) | (1,239) | (1,294) |
| Amortisation of land use rights | - | - | (60) | (60) |
| Interest income | 2 | - | 18 | 20 |
| Finance costs | - | - | (819) | (819) |
| Gain on disposal of plant and equipment | <u>31</u> | <u>-</u> | <u>278</u> | <u>309</u> |
| As at 31 March 2017 | | | | |
| Reportable segment assets | 1,950 | 139 | 98,906 | 100,995 |
| Interests in an associate | | | | 465 |
| Unallocated corporate assets | | | | 3,322 |
| Consolidated total assets | | | | <u>104,782</u> |
| Additions to non-current assets (Other than financial instruments) | <u>25</u> | <u>2</u> | <u>998</u> | <u>1,025</u> |
| Reportable segment liabilities | (68) | (765) | (53,726) | (54,559) |
| Unallocated corporate liabilities | | | | (1,433) |
| Consolidated total liabilities | | | | <u>(55,992)</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

6. Other income

| | 2018 AS'000 | 2017 AS'000 |
|-----------------------------------------|----------------|----------------|
| Bank interest income | 54 | 20 |
| Gain on disposal of plant and equipment | 23 | 309 |
| Sundry income | 189 | 73 |
| | <u>266</u> | <u>402</u> |

7. Finance costs

| | 2018 AS'000 | 2017 AS'000 |
|-----------------------------------------|----------------|----------------|
| Interest expenses: - bank borrowings | <u>112</u> | <u>819</u> |

8. Loss before income tax

| | 2018 AS'000 | 2017 AS'000 |
|------------------------------------------------|----------------|----------------|
| Loss before income tax is arrived at: | | |
| After crediting the following items: | | |
| Bank interest income | 54 | 20 |
| Gain on disposal of plant and equipment | 23 | 309 |
| Rental income from investment property | 99 | 97 |
| Sundry income | <u>189</u> | <u>73</u> |
| And after charging the following items: | | |
| Auditor's remuneration | | |
| - Audit and review service | 169 | 175 |
| Amortisation of land use rights (Note 15) | 59 | 60 |
| Depreciation of fixed assets (Note 14) | 1,197 | 1,294 |
| Directors' remuneration (Note 9) | <u>294</u> | <u>325</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

8. Loss before income tax (Continued)

| | 2018 | 2017 |
|---------------------------------------------------------------------------|---------------|---------------|
| | AS'000 | AS'000 |
| And after charging the following items (Continued): | | |
| Employee benefit expense (excluding director's remuneration) (Note 10) | 742 | 855 |
| Impairment loss on interests in an associate | 191 | - |
| Operating lease rentals in respect of rental premises and equipment | 144 | 283 |
| Cost of inventories sold | 33,043 | 37,419 |
| | <u>33,043</u> | <u>37,419</u> |

9. Directors' and senior management's emoluments

| | 2018 | 2017 |
|---------------------------------------------|---------------|---------------|
| | AS'000 | AS'000 |
| Directors' remuneration | | |
| - fees | 280 | 311 |
| - salaries, allowances and benefits in kind | 14 | 14 |
| | <u>294</u> | <u>325</u> |

The remuneration of each director for the year ended 31 March 2018 is set out below:

| | Fees | Salaries, allowances and benefits | Total |
|--------------------------------------------------------|---------------|--------------------------------------------------|---------------|
| | AS'000 | in kind | AS'000 |
| | | AS'000 | |
| <u>Non-executive directors</u> | | | |
| Dr. Longguang Shi | 119 | - | 119 |
| <u>Executive directors</u> | | | |
| Ms. Mulei Shi | 71 | - | 71 |
| Mr. King Choi Leung | 70 | 14 | 84 |
| Mr. Changyuan Liao (Appointed on 29 September 2017) | - | - | - |
| Mr. Libin Sun (Resigned on 29 September 2017) | 20 | - | 20 |
| | <u>280</u> | <u>14</u> | <u>294</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

9. Directors' and senior management's emoluments (Continued)

The remuneration of each director for the year ended 31 March 2018 is set out below (Continued):

| | Fees AS'000 | Salaries, allowances and benefits in kind AS'000 | Total AS'000 |
|-----------------------------------------------------|----------------|--------------------------------------------------------------|-----------------|
| <u>Independent non-executive directors</u> | | | |
| Mr. Yan Wang | - | - | - |
| Mr. Ouyang Cong (Resigned on 29 September 2017) | - | - | - |
| Mr. Fuchuan Guo (Appointed on 29 September 2017) | - | - | - |
| Mr. Xunchang Hu (Appointed on 10 November 2017) | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |

The remuneration of each director and an executive for the year ended 31 March 2017 is set out below:

| | Fees AS'000 | Salaries, allowances and benefits in kind AS'000 | Total AS'000 |
|---------------------------------------------------|----------------|--------------------------------------------------------------|-----------------|
| <u>Non-executive directors</u> | | | |
| Dr. Longguang Shi | 124 | - | 124 |
| <u>Executive directors</u> | | | |
| Ms. Mulei Shi | 74 | - | 74 |
| Mr. King Choi Leung | 72 | 14 | 86 |
| Mr. Libin Sun | 41 | - | 41 |
| | <u>311</u> | <u>14</u> | <u>325</u> |
| <u>Independent non-executive directors</u> | | | |
| Mr. Yan Wang | - | - | - |
| Mr. Ouyang Cong | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

10. Employee benefit expenses

| | 2018 AS'000 | 2017 AS'000 |
|----------------------|----------------|----------------|
| Wages and salaries | 611 | 629 |
| Social insurance | 54 | 72 |
| Other staff benefits | 77 | 154 |
| | <u>742</u> | <u>855</u> |

11. Income tax expenses

The Group's principle activities are operated in Hong Kong and the PRC. Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the jurisdictions where the Group operates and generates taxable income.

During the year, no provision for Hong Kong Profits Tax has been made as the Group did not derive any taxable income from Hong Kong (2017: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the years ended 31 March 2018 and 2017.

| | 2018 AS'000 | 2017 AS'000 |
|----------|----------------|----------------|
| Current | 80 | 40 |
| Deferred | 123 | 62 |
| | <u>203</u> | <u>102</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

11. Income tax expenses (Continued)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to profit/loss of the consolidated entities as follows:

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------------------|----------------|---------------|
| | AS'000 | AS'000 |
| Loss before income tax | <u>(1,150)</u> | <u>(684)</u> |
| Notional tax on loss calculated at the rates applicable to profits in the jurisdiction concerned | (225) | (99) |
| Tax effect of: | | |
| Unrecognised deferred tax arising from temporary difference | - | 62 |
| Expenses not deductible for tax purposes | 310 | 79 |
| Income not subject to tax | (24) | - |
| Share of results of associate | (7) | 8 |
| Tax effect of unused tax losses not recognised | <u>149</u> | <u>52</u> |
| Income tax expense | <u>203</u> | <u>102</u> |

There was no tax charge relating to components of other comprehensive income for the year (2017: Nil).

12. Employee share option scheme

On 19 December 2007, ordinary resolutions were passed by the shareholders at the annual general meeting to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the old scheme (the "Old Scheme") which was adopted on 28 November 1995.

On 19 December 2007, share options were granted to certain employees and directors of the Group pursuant to the Group's New Scheme. Share options with rights to subscribe for a total of 1,898,792 shares (a total of current outstanding 1,748,792 shares as at 31 March 2018) were granted to certain employees with an exercise price at A\$2.00 per share on 19 December 2007. The share options can be exercised from 8 April 2008 and expire on 8 April 2018.

On 1 November 2012, share options were granted to consultants of the Group pursuant to the Group's New Scheme. Share options with rights to subscribe to a total of 4,500,000 shares were granted to consultants with an exercise price of A\$1.00 per share on 1 November 2012. The share options can be exercised from 1 November 2012 and expire on 1 November 2017.

No share options were granted and exercised during the year ended 31 March 2018.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

12. Employee share option scheme (Continued)

Movements in the share options outstanding and their related weighted average exercise prices are as follows:

| | Weighted average exercise price per share (A\$) | Number of underlying shares |
|--------------------------------------|----------------------------------------------------------|-----------------------------------|
| As at 1 April 2016 and 31 March 2017 | 1.28 | 6,248,792 |
| Lapsed during the year | 1.00 | (4,500,000) |
| As at 31 March 2018 | 2.00 | 1,748,792 |

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Expiry date | Exercise price per share (A\$) | 2018 Number of underlying shares | 2017 Number of underlying shares |
|-----------------|-----------------------------------|-------------------------------------------|-------------------------------------------|
| 8 April 2018 | 2.00 | 1,748,792 | 1,748,792 |
| 1 November 2017 | 1.00 | - | 4,500,000 |
| | | 1,748,792 | 6,248,792 |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

13. Loss per share

13.1. Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2018 | 2017 |
|--------------------------------------------------------------|----------------|----------------|
| Loss attributable to equity holders of the Company (A\$'000) | <u>(1,126)</u> | <u>(1,112)</u> |
| Weighted average number of ordinary shares in issue ('000) | | |
| Issued ordinary shares at 1 April | 40,156 | 31,156 |
| Effect of new issue shares | <u>502</u> | <u>7,619</u> |
| Weighted average number of ordinary shares at 31 March | <u>40,658</u> | <u>38,775</u> |
| Basic loss per share (A\$ per share) | <u>(0.03)</u> | <u>(0.03)</u> |

13.2. Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company has two category of potential dilutive ordinary shares: share options and warrants. For the share options/warrants, a calculation is done to determine the number of shares that could have been issued at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options/warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the share options/warrants were exercised. The incremental shares from assumed exercise of share options/warrants are excluded in calculating the diluted loss per share for the year ended 31 March 2018 and 2017 because they are anti-dilutive in calculating the diluted loss per share.

| | 2018 | 2017 |
|------------------------------------------------------------------------------|----------------|----------------|
| Loss attributable to equity holders of the Company (A\$'000) | <u>(1,126)</u> | <u>(1,112)</u> |
| Weighted average number of ordinary shares for diluted loss per share ('000) | | |
| Issued ordinary shares at 1 April | 40,156 | 31,156 |
| Effect of new issue shares | <u>502</u> | <u>7,619</u> |
| Weighted average number of ordinary shares at 31 March | <u>40,658</u> | <u>38,775</u> |
| Diluted loss per share (A\$ per share) | <u>(0.03)</u> | <u>(0.03)</u> |

VIAGOLD CAPITAL LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the year ended 31 March 2018

14. Fixed assets

| Cost | Motor vehicles A\$'000 | Leasehold improvements A\$'000 | Furniture and equipment A\$'000 | Plant and Machinery A\$'000 | Building A\$'000 | Sub-total A\$'000 | Investment property A\$'000 | Total A\$'000 |
|---------------------------------|---------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|----------------------|-----------------------------------|------------------|
| As at 1 April 2016 | 1,183 | 122 | 4 | - | - | 1,309 | 800 | 2,109 |
| Acquisition of a subsidiary | 603 | 1,688 | 83 | 2,885 | 3,809 | 9,068 | - | 9,068 |
| Additions | 233 | 351 | 10 | 253 | 178 | 1,025 | - | 1,025 |
| Disposals | (646) | - | (1) | (10) | - | (657) | - | (657) |
| Exchange realignment | (146) | (206) | (11) | (338) | (432) | (1,133) | (51) | (1,184) |
| As at 31 March 2017 | 1,227 | 1,955 | 85 | 2,790 | 3,555 | 9,612 | 749 | 10,361 |
| Additions | 1,021 | - | 10 | 50 | - | 1,081 | - | 1,081 |
| Disposals | (403) | - | - | - | - | (403) | - | (403) |
| Exchange realignment | 155 | 185 | 9 | 267 | 335 | 951 | 71 | 1,022 |
| As at 31 March 2018 | 2,000 | 2,140 | 104 | 3,107 | 3,890 | 11,241 | 820 | 12,061 |
| Accumulated depreciation | | | | | | | | |
| As at 1 April 2016 | 400 | 12 | 1 | - | - | 413 | 201 | 614 |
| Depreciation | 437 | 117 | 30 | 480 | 195 | 1,259 | 35 | 1,294 |
| Eliminated on disposal | (276) | - | (1) | (5) | - | (282) | - | (282) |
| Exchange realignment | (26) | (1) | - | - | (16) | (43) | (12) | (55) |
| As at 31 March 2017 | 535 | 128 | 30 | 475 | 179 | 1,347 | 224 | 1,571 |
| Depreciation | 341 | 121 | 26 | 472 | 201 | 1,161 | 36 | 1,197 |
| Eliminated on disposal | (223) | - | - | - | - | (223) | - | (223) |
| Exchange realignment | 58 | 20 | 4 | 75 | 47 | 204 | 23 | 227 |
| As at 31 March 2018 | 711 | 269 | 60 | 1,022 | 427 | 2,489 | 283 | 2,772 |
| Net carrying amounts | | | | | | | | |
| As at 31 March 2018 | 1,289 | 1,871 | 44 | 2,085 | 3,463 | 8,752 | 537 | 9,289 |
| As at 31 March 2017 | 692 | 1,827 | 55 | 2,315 | 3,376 | 8,265 | 525 | 8,790 |

The investment property and building are located in the PRC.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

15. Land use rights

| | AS'000 |
|-----------------------------------------|---------------------|
| Cost | |
| As at 1 April 2016 | - |
| Acquisition of subsidiaries | 4,694 |
| Exchange realignment | (428) |
| As at 31 March 2017 | <u>4,266</u> |
| Exchange realignment | 284 |
| As at 31 March 2018 | <u><u>4,550</u></u> |
| Deduct: Accumulated amortisation | |
| As at 1 April 2016 | - |
| Charged for the year | 60 |
| As at 31 March 2017 | <u>60</u> |
| Charged for the year | 59 |
| Exchange realignment | 10 |
| As at 31 March 2018 | <u><u>129</u></u> |
| Net book values | |
| As at 31 March 2018 | <u><u>4,421</u></u> |
| As at 31 March 2017 | <u><u>4,206</u></u> |

Lands related to the land use rights are located in the PRC.

The amortisation charged for the year has been recognised as an expense in the period, within the "administrative expenses" line item in the consolidated statement of profit or loss.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

16. Goodwill

| | 2018 A\$'000 | 2017 A\$'000 |
|------------------------------------------|-----------------|-----------------|
| At beginning of the year | 2,778 | - |
| Arising from acquisition of subsidiaries | - | 2,939 |
| Exchange realignment | 78 | (161) |
| At end of the year | <u>2,856</u> | <u>2,778</u> |

Goodwill is allocated to the cash-generating units that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to the segment, rare earth refining and separation.

Impairment testing of goodwill

During the year, the Group assessed the recoverable amount of goodwill associated with rare earth refining and separation segment by reference to value-in-use. The calculations used cash flow projections based on financial budgets approved by the management of the Company covering a five-year period. Management believes that the recoverable amount would exceed its carrying amount as at 31 March 2018 and therefore, no impairment is necessary. The discount rate used for value-in-use calculations was 19% (2017: 15%) and the growth rate was range from 8% to 15% (2017: 10%).

17. Available-for-sales financial assets

| | 2018 A\$'000 | 2017 A\$'000 |
|------------------------------------------------------------------|-----------------|-----------------|
| Available-for-sales financial assets - unlisted equity shares | <u>2,278</u> | <u>1,614</u> |

Available-for-sales financial assets represents 4,100,969 ordinary shares (2017: 2,989,917 ordinary shares) in Jiangsu Jiangnan Rural Commercial Bank Company Limited.

The assets are accounted for at cost less accumulated impairment losses as the range of reasonable fair value estimated is so significant that the management of the opinion that their fair values cannot be reliably measured.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

18. Trade and other receivables

| | 2018 AS'000 | 2017 AS'000 |
|----------------------------------|----------------|----------------|
| Trade receivables | 4,778 | 6,741 |
| Bills receivables | 29 | 225 |
| | <u>4,807</u> | <u>6,966</u> |
| Other receivables | 12,685 | 6,778 |
| Deposits and prepayments | 1,960 | 3,177 |
| Amounts due from related parties | 1,818 | 3,067 |
| | <u>21,270</u> | <u>19,988</u> |

Included in "Other receivables", approximately A\$3,650,000 and A\$4,144,000 (2017: Nil) were guaranteed by a key management personnel and loan receivables, which is non-interest bearing and unsecured, for a third party respectively.

All the receivables (including amounts due from related parties) are expected to be recovered or recognised as expense within one year or are receivable on demand.

(a) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

| | 2018 AS'000 | 2017 AS'000 |
|------------------------------------------|----------------|----------------|
| At beginning of the year | - | 22 |
| Uncollectible impaired debts written off | - | (22) |
| At end of the year | <u>-</u> | <u>-</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

18. Trade and other receivables (Continued)

- (b) Trade receivables are due within 30 days from the date of billing. The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | 2018 AS'000 | 2017 AS'000 |
|-------------------------------|----------------|----------------|
| Neither past due nor impaired | <u>4,807</u> | <u>6,966</u> |

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the trade receivables that are neither past due nor impaired to be of a good credit quality.

As at 31 March 2018, no other receivables was impaired (2017: Nil).

Amounts due from related parties are non-interest bearing, unsecured and repayable on demand.

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values due to their short term maturities.

19. Inventories

| | 2018 AS'000 | 2017 AS'000 |
|------------------|----------------|----------------|
| Raw materials | 18,373 | 18,528 |
| Work-in-progress | 42,184 | 40,433 |
| Finished goods | <u>8,530</u> | <u>6,044</u> |
| | <u>69,087</u> | <u>65,005</u> |

20. Pledged bank deposits

As at 31 March 2018, the Group pledged approximately A\$1,036,000 bank deposits (31 March 2017: A\$562,000), which is denominated in RMB, to bankers of the Group to secure the bill payables due within twelve months. The pledged bank deposits will be released upon the settlement of relevant bill payables.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

21. Cash and cash equivalents

| | 2018 AS'000 | 2017 AS'000 |
|-----------------------------------------------------------------------|----------------|----------------|
| Cash at bank and on hand | <u>923</u> | <u>1,374</u> |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>923</u> | <u>1,374</u> |

22. Share capital

| | Number of shares '000 | Ordinary shares AS'000 |
|--------------------------------------------------------|-----------------------------|------------------------------|
| Issued and fully paid | | |
| As at 1 April 2016 | 31,156 | 6,231 |
| Issuance of new shares for acquisition of subsidiaries | <u>9,000</u> | <u>1,800</u> |
| As at 31 March 2017 and 1 April 2017 | 40,156 | 8,031 |
| Issuance of new shares by exercise of warrants | <u>1,500</u> | <u>300</u> |
| As at 31 March 2018 | <u>41,656</u> | <u>8,331</u> |

The total authorised number of ordinary shares is 100 million shares (2017: 100 million shares) with a par value of Australian twenty cents per share (2017: Australian twenty cents per share).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

23. Warrant reserve

On 14 December 2012, unlisted warrants issued to private professional investors were approved by shareholders at the Company's Annual General Meeting. 5,000,000 warrants were issued at A\$0.08 each on 4 February 2013, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.71. Final date for the exercise of these warrants is 30 November 2017.

On 12 February 2014, unlisted warrants issued to professional and sophisticated investors were approved by shareholders at the Company's Annual General Meeting. 5,000,000 warrants were issued at A\$0.03 on 25 October 2013, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.26. Final date for the exercise of these warrants is 16 December 2018.

On 13 June 2014, unlisted warrants issued to private professional investors were approved by shareholders at the Company's Special General Meeting. 6,000,000 warrants were issued at A\$0.05 each on 8 November 2014, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.40. Final date for the exercise of these warrants is 6 November 2019.

On 5 December 2015, unlisted warrants issued to private professional investors were approved by shareholders at the Company's Special General Meeting. 4,000,000 warrants were issued on 17 December 2015, 5,000,000 warrants were issued on 2 March 2016 and 3,000,000 warrants were issued on 3 March 2016 at A\$0.05 each respectively, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.44. Final date for the exercise of these warrants is 3 December 2020.

The Company has issued a total of 500,000 ordinary shares to private professional investors who exercised their unlisted warrants in December 2015 and January 2016 respectively. Exercise of 500,000 warrants will entitle the holder to 500,000 ordinary share in the Company on payment of exercise price at A\$0.71 each.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

23. Warrant reserve (Continued)

Movements in the warrants outstanding and their related weighted average exercise prices are as follows:

| | Weighted average exercise price per share A\$ | Number of underlying shares |
|--------------------------------------|--------------------------------------------------------------------------|--------------------------------------------|
| As at 1 April 2016 and 31 March 2017 | 0.44 | 27,500,000 |
| Exercised | 0.71 | (1,500,000) |
| Lapsed | 0.71 | (3,000,000) |
| As at 31 March 2018 | 0.39 | <u>23,000,000</u> |

Warrants outstanding at the end of the year have the following expiry dates and exercise prices:

| Expiry date | Exercise price per share A\$ | 2018 Number of underlying shares | 2017 Number of underlying shares |
|--------------------|-------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| 30 November 2017 | 0.71 | - | 4,500,000 |
| 16 December 2018 | 0.26 | 5,000,000 | 5,000,000 |
| 6 November 2019 | 0.40 | 6,000,000 | 6,000,000 |
| 3 December 2020 | 0.44 | <u>12,000,000</u> | <u>12,000,000</u> |

The weighted average share price at the date of exercise for warrant exercised during the year was A\$2.35 (2017: Not applicable).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

24. Deferred tax liabilities

The following are the major deferred income tax liabilities recognised and movements thereon during the current and prior periods:

| | Fair value adjustments on acquisition of subsidiaries A\$'000 |
|-------------------------------------------|---------------------------------------------------------------------------|
| As at 1 April 2016 | - |
| Arising from acquisition of subsidiaries | 12,591 |
| Exchange realignment | (1,013) |
| As at 31 March 2017 | 11,578 |
| Charge to profit and loss during the year | 123 |
| Exchange realignment | 1,119 |
| As at 31 March 2018 | 12,820 |

The Group has tax losses arising from operations in Mainland China of approximately A\$1,223,000 (2017: A\$484,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At the end of the reporting period, undistributed profits of subsidiaries amounted to approximately A\$12,868,000 (2017: A\$14,445,000). Withholding tax resulting from the distribution of such profits would amount approximately to A\$1,287,000 (2017: A\$1,444,500) if they are distributed to holding companies/shareholders outside of PRC. However, no deferred tax liabilities have been recognised in this respect as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25. Interests in an associate

| | 2018 A'000 | 2017 A'000 |
|----------------------------------------------|---------------|---------------|
| At beginning of the year | 465 | - |
| Addition through acquisition of subsidiaries | - | 550 |
| Share of post-acquisition results | 29 | (30) |
| Impairment for the year | (191) | - |
| Exchange realignment | 34 | (55) |
| At end of the year | 337 | 465 |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

25. Interests in an associate (Continued)

At 31 March 2018, the Group has interest in the following associate:

| Name of associate | Place of establishment and operations | Registered capital | Percentage of equity attributable to the Group |
|------------------------------------------------------------|---------------------------------------|--------------------|------------------------------------------------|
| 茂名市金晟礦業有限公司 Maoming Jinsheng Minerals Company Limited @ | PRC | RMB 9.6m | 25.50% |

@ The English name is for identification purpose only

Principal activities of the associate are refining and trading of metal.

| | 2018 A'000 | 2017 A'000 |
|-------------------------------------------------------------|---------------|---------------|
| Profit/(loss) attributable to equity holders of the Company | <u>29</u> | <u>(30)</u> |

On 22 January 2016, ViaGOLD Mining Group Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement to acquire 100% equity interest in Polygoal Capital Limited ("PCL"), which owned 25.5% effective interest in Maoming Jinsheng Minerals Company Limited. Following the completion of the acquisition on 27 May 2016, Maoming Jinsheng Minerals Company Limited became an associate of the Company.

In the opinion of the Directors, Maoming Jinsheng Minerals Company Limited did not have a material effect on the results or assets of the Group.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

26. Trade and other payables

| | 2018 | 2017 |
|-----------------------------------------|---------------|---------------|
| | AS'000 | AS'000 |
| Trade payables and bill payables | 14,242 | 8,123 |
| Other payables and accrued charges | 6,774 | 1,905 |
| Receipt in advance | 99 | 501 |
| Amounts due to key management personnel | 1,675 | 10,680 |
| Amounts due to related companies | 23,758 | 23,174 |
| | <u>46,548</u> | <u>44,383</u> |

The directors consider that the carrying amounts of other payables approximate to their fair values due to their short term maturities.

The amounts due to key management personnel and related companies are unsecured, interest free and repayable on demand.

Included in "Other payables and accrued charges", A\$4,270,000 was settled within 1 month after the year ended.

27. Short-term bank borrowing

The bank borrowings are unsecured and repayable within 1 year.

The effective interest rates of the borrowings are 5.8725% per annum (2017: Nil).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

28. Cash flow information

(a) Net cash (used in)/generated from operating activities

| | Note | 2018 A\$'000 | 2017 A\$'000 |
|--------------------------------------------------------|------|-----------------|-----------------|
| Loss before income tax | | (1,150) | (684) |
| Adjustments for: | | | |
| - Amortization of land use rights | 15 | 59 | 60 |
| - Depreciation of fixed assets | 14 | 1,197 | 1,294 |
| - Gain on disposal of plant and equipment | | (23) | (309) |
| - Share of result of an associate | 25 | (29) | 30 |
| - Impairment loss on interest of an associate | | 191 | - |
| - Interest income | 6 | (54) | (20) |
| - Interest expenses | 7 | 112 | 819 |
| Changes in working capital: | | | |
| - Trade and other receivables | | (1,282) | (645) |
| - Trade and other payables | | 2,165 | 13,294 |
| - Inventories | | (4,082) | 7,926 |
| Tax paid | | (75) | (131) |
| Net cash (used in)/generated from operating activities | | <u>(2,971)</u> | <u>21,634</u> |

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Short-term bank borrowing A\$'000 |
|----------------------------------------|-----------------------------------------|
| At 1 April 2017 | - |
| Proceeds from new bank borrowing | 2,073 |
| Repayment of interest expenses | (112) |
| Total changes from financing cash flow | <u>1,961</u> |
| Other changes: | |
| Interest expenses | 112 |
| At 31 March 2018 | <u><u>2,073</u></u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

29. Related-party transactions

During the year, the Group had the following transactions and balances with related parties:

| | | 2018 | 2017 |
|--------------------------|--------------------------------------------|---------------|---------------|
| | | AS'000 | AS'000 |
| Related parties | Nature of transactions | | |
| Related companies | Consultancy and management services income | 368 | 314 |
| | Amounts due from related parties # | 1,818 | 3,067 |
| | Amounts due to related companies @ | (23,758) | (23,174) |
| | Amounts due to key management personnel | (1,675) | (10,680) |
| Directors of the Company | Key management compensation | <u>294</u> | <u>325</u> |

Note:

Services fees were receivable from three education institutions under the common control of directors.

Amounts due from/to related parties are non-interest bearing, unsecured and repayable on demand.

#: The related parties are the family members of the key management personnel of the Group.

@: The related companies are controlled by the key management personnels of the Group.

30. Operating lease commitments

- (a) The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 to 2 years, and the majority of lease agreements are renewable at the end of the period at market rate.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

30. Operating lease commitments (Continued)

- (a) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2018 A\$'000 | 2017 A\$'000 |
|----------------------------------------------|-----------------|-----------------|
| Leasehold land and buildings | | |
| Not later than 1 year | - | 232 |
| Later than 1 year but not later than 5 years | - | 271 |
| | <u>-</u> | <u>503</u> |

- (b) The Group leases out various motor vehicles and investment property under non-cancellable operating lease agreements. The lease terms are between 1 to 3 years, and the majority of lease agreements are renewable at the end of the period at market rate.

The future minimum lease receivables under non-cancellable operating leases are as follows:

| | 2018 A\$'000 | 2017 A\$'000 |
|----------------------------------------------|-----------------|-----------------|
| Motor vehicles | | |
| Not later than 1 year | 270 | 26 |
| Later than 1 year but not later than 5 years | 370 | - |
| | <u>640</u> | <u>26</u> |

| | 2018 A\$'000 | 2017 A\$'000 |
|----------------------------------------------|-----------------|-----------------|
| Property | | |
| Not later than 1 year | 57 | 51 |
| Later than 1 year but not later than 5 years | - | 107 |
| | <u>57</u> | <u>158</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

31. Acquisition of subsidiaries (Continued)

During the year ended 31 March 2017, the Group acquired 100% equity interest in Polygoal Capital Limited ("PCL") which directly hold a 100% equity interest in Zhuhai Hongjie Enterprise Management Consulting Company Limited ("Hongjie") which owns a 51% equity interest of ShenZhen Xunda Investment Company Limited ("Xunda") for a consideration of approximately A\$15.93 million by issuance of 9,000,000 shares of the Company. Both Hongjie and Xunda are investment holding companies. The acquisition was completed on 27 May 2016.

Xunda owns 60% equity interest of Jintan Hailin Rare Earth Company Limited which principally engages in zirconium and titanium beneficiation, further processing and the recycling of rare earths from monazite.

PCL assets have significant potential to facilitate the Group entry into the rare earths industry which is expected to be of benefit to shareholders.

Summary of net assets acquired in the transactions, and the goodwill arising, are as follows:

| | As at 27-May-16 Fair value A\$'000 |
|---------------------------------------------|---------------------------------------------|
| <u>Net assets acquired:</u> | |
| Property, plant and equipment | 9,068 |
| Land use rights | 4,694 |
| Interests in an associate | 550 |
| Inventories | 72,931 |
| Trade and other receivables and prepayments | 19,113 |
| Pledged bank deposits | 1,931 |
| Cash and cash equivalents | 1,025 |
| Borrowings | (18,234) |
| Trade and other payables | (29,832) |
| Tax payables | (56) |
| Deferred tax liabilities | (12,591) |
| Net assets | <u>48,599</u> |
| Non-controlling interests | (35,608) |
| Goodwill | <u>2,939</u> |
| Total consideration | <u><u>15,930</u></u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2018**

31. Acquisition of subsidiaries (Continued)

The goodwill mainly arising on the acquisition of these companies is attributable to the benefit of expected revenue growth and future market development, the synergies in consolidating the Group's rare earth refining and separation segment. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the revenue and profit for the period are approximately A\$40.5 million and A\$552,000 respectively attributable to the additional business generated by newly acquired rare earth refining and separation companies.

The fair value of the trade and other receivables acquired with a fair value of A\$8.4 million. The gross amount due under the contracts is A\$8.4 million and is expected to be collectible. The amount of prepayment is A\$10.8 million.

The non-controlling interests is measured by its proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs amounted to approximately A\$155,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "administrative expenses" line item in the consolidated statement of profit or loss.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

32. Particulars of principal subsidiaries

Particulars of principal subsidiaries at 31 March 2018 were as follows:

| Name of subsidiary | Place of incorporation/ registration and operation | Issued and fully paid up share capital / registered capital | Attributable equity interests held by the Company | | Principal activities |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------|
| | | | Directly | Indirectly | |
| ViaGOLD International Education Management Group Holdings Limited | British Virgin Islands ("BVI") | US\$1 | 100% | - | Investment holding |
| Goldwin Century Limited | BVI | US\$1 | - | 100% | Investment holding |
| Goldwin Century Limited | Hong Kong | HK\$1 | - | 100% | Investment holding |
| 珠海金网教育咨询 有限公司 (Zhuhai ViaGOLD Education Consulting Limited * @) | PRC | HK\$5,400,000 (2017: HK\$3,900,000) | - | 100% | Provision of management and consultancy services to educational institutions |
| ViaGOLD Technology Limited | BVI | US\$1 | 100% | - | Investment holding |
| ViaGOLD Inc. Limited | Hong Kong | HK\$2 | - | 100% | Investment holding |
| 北京华宝时代国际设备 租赁有限公司 (Beijing Hua Bao Times International Leasing Company Limited * @) | PRC | US\$2,600,000 | - | 70% | Leasing and capital financing |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

32. Particulars of principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ registration and operation | Issued and fully paid up share capital / registered capital | Attributable equity interests held by the Company | | Principal activities |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------|------------|---------------------------------------|
| | | | Directly | Indirectly | |
| ViaGOLD Mining Group Limited | BVI | US\$1 | 100% | - | Investment holding |
| ViaGOLD Mining Group Limited | Hong Kong | HK\$2 | - | 100% | Trading of minerals |
| Polygoal Capital Limited | BVI | US\$10 | - | 100% | Investment holding |
| 珠海宏杰企业管理 咨询有限公司 (Zhuhai Hongjie Enterprise Management Consulting Company Limited @) | PRC | HK\$1,500,000 | - | 100% | Investment holding |
| 深圳市讯达投资 有限公司 (Shenzhen Xunda Investment Company Limited @) | PRC | RMB10,000,000 | - | 51% | Investment holding |
| 常州市海林稀土 有限公司 (Jintan Hailin Rare Earth Company Limited @ #) | PRC | RMB16,000,000 | - | - | Rare earth refining and separation |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2018

32. Particulars of principal subsidiaries (Continued)

Note:

* Wholly foreign-owned enterprises registered in the PRC

@ The English names are for identification purpose only

The Company and its subsidiaries do not hold any equity interests in Jintan Hailin Rare Earth Company Limited, nor, in any of its subsidiaries. Nevertheless, under the contractual agreements entered into between the Group, Jintan Hailin Rare Earth Company Limited and the ultimate controlling shareholders who are the registered owners of Jintan Hailin Rare Earth Company Limited, the directors of the Company determine that the Group has the power to govern the financial and operating policies of Jintan Hailin Rare Earth Company Limited so as to obtain benefits from their activities. As such, Jintan Hailin Rare Earth Company Limited is accounted for as subsidiary of the Group for accounting purposes.

Details of the Group's subsidiary that has material non-controlling interests ("NCI") is set out below:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights indirectly held by | | Profit/(loss) allocated to NCI | | Accumulated NCI | |
|-----------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------|------|--------------------------------|------------|-----------------|---------------|
| | | NCI | | 2018 | 2017 | 2018 | 2017 |
| | | 2018 | 2017 | AS'000 | AS'000 | AS'000 | AS'000 |
| Jintan Hailin Rare Earth Company Limited | PRC | 69% | 69% | (86) | 366 | 32,368 | 31,520 |
| Individually immaterial subsidiaries with NCI | | | | (141) | (40) | 706 | 823 |
| | | | | <u>(227)</u> | <u>326</u> | <u>33,074</u> | <u>32,343</u> |

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2018

32. Particulars of principal subsidiaries (Continued)

The following tables illustrate the summarised financial information of the above subsidiary that has material NCI. The amounts disclosed are before any inter-company eliminations:

| | 2018 AS'000 | 2017 AS'000 |
|--------------------------------------------------------|----------------|----------------|
| <u>Jintan Hailin Rare Earth Company Limited</u> | | |
| Non-current assets | 14,346 | 13,780 |
| Current assets | 89,471 | 86,976 |
| Current liabilities | (43,883) | (41,687) |
| Non-current liabilities | (13,294) | (12,040) |
| | <u>35,014</u> | <u>40,509</u> |
| Turnover | 35,014 | 40,509 |
| (Loss)/profit for the year | (124) | 552 |
| Total comprehensive loss for the year | (335) | (851) |
| | <u>-</u> | <u>-</u> |
| Dividends paid to non-controlling interests | - | - |
| Net cash (used in)/generated from operating activities | (2,227) | 18,595 |
| Net cash used in investing activities | (728) | (2,955) |
| Net cash generated from/(used in) financing activities | 1,984 | (17,162) |

33. Comparative figures

Certain comparative figures have been re-classified to conform with the current year's presentation.

VIAGOLD CAPITAL LIMITED

ADDITIONAL INFORMATION PURSUANT TO THE OFFICIAL LISTING RULES OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED

1. The statement of interests in share capital as at 18 May 2018 is as follows:

a. Distribution of shareholdings:

| Size of holding | No. of ordinary shareholders |
|-------------------------------|---------------------------------------------|
| 1 - 1,000 | 455 |
| 1,001 - 5,000 | 37 |
| 5,001 - 10,000 | 8 |
| 10,001- 100,000 | 18 |
| 100,001 - 999,999,999 | 20 |
| 1,000,000,000 - 9,999,999,999 | - |
| | <u>538</u> |

b. The name of the substantial shareholder and the number of securities held as at 18 May 2018 are:

| Names | No. of ordinary shares held |
|-----------------------------------------|--------------------------------------------|
| Harvest Smart Overseas Limited | 10,962,290 |
| Capital Luck Group Limited | 10,000,000 |
| Mr. Zhou Halin | 7,000,000 |
| Pershing Australia Nominees Pty Limited | 3,572,314 |
| Sa Ha Leong | 1,500,000 |
| | <u>33,034,604</u> |

c. The 20 largest holders of the Company's securities are:

| Names | No. of ordinary shares held | % of total issued of ordinary capital held |
|---------------------------------------|--------------------------------------------|---------------------------------------------------------------|
| Harvest Smart Overseas Ltd | 10,962,290 | 26.32% |
| Capital Luck Group Limited | 10,000,000 | 24.01% |
| Mr Zhou Hailin | 7,000,000 | 16.80% |
| Pershing Australia Nominees Pty Ltd | 3,572,314 | 8.58% |
| Sa Ha Leong | 1,500,000 | 3.60% |
| Mr Chen Wei Qing | 1,235,862 | 2.97% |
| J P Morgan Nominees Australia Limited | 1,216,500 | 2.92% |

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VIAGOLD CAPITAL LIMITED

ADDITIONAL INFORMATION PURSUANT TO THE OFFICIAL LISTING RULES OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED (Continued)

1. The statement of interests in share capital as at 18 May 2018 is as follows (Continued):

c. The 20 largest holders of the Company's securities are (Continued):

| Names | No. of ordinary shares held | % of total issued of ordinary capital held |
|------------------------------------------------|-----------------------------|--------------------------------------------|
| Guangdong Rare Earths Industry Group Co. Ltd | 1,200,000 | 2.88% |
| Mr Liao Changyuan <Ling Ge Art Foundation A/C> | 800,000 | 1.92% |
| HSBC Custody Nominees (Australia) Limited | 644,433 | 1.55% |
| BNP Paribas Nominees Pty Ltd | 507,459 | 1.22% |
| Mr Sio Kai Kuan | 301,750 | 0.72% |
| Io Chong Leong | 300,000 | 0.72% |
| Monex Boom Securities (HK) Ltd | 292,485 | 0.70% |
| Bay Square Holdings Ltd | 291,250 | 0.70% |
| Lanstone Investment Limited | 225,000 | 0.54% |
| Chow Lai Wah | 217,500 | 0.52% |
| Citicorp Nominees Pty Limited | 202,709 | 0.49% |
| Hainan Finance Limited | 154,600 | 0.37% |
| Carleton Trading Ltd | 105,175 | 0.25% |

d. Voting rights

Subject to the ASX Listing Rules and to any special rights, privileges or restrictions attaching to any class or classes of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. On a show of hands, every member who is present in person or by proxy has one vote for every share of which he is the holder, and on a poll; every member has (i) one vote for each fully paid share held by that person or (ii) voting rights pro-rata to the amount paid up on each partly paid share held by that person.

2. Share options outstanding as at 18 May 2018

| | |
|-------------------------------------------|---|
| Total number of outstanding share options | - |
| Total number of option holders | - |

Since the remaining balance of 1,748,792 share options was lapsed on 8 April 2018, therefore the number of the share options as at 18 May 2018 stated was zero.

VIAGOLD CAPITAL LIMITED

ADDITIONAL INFORMATION PURSUANT TO THE OFFICIAL LISTING RULES OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED (Continued)

3. The name of the Company Secretary

Mr. King Choi Leung

4. Address and contact number:

The address and contact number of the principal registered office in Zhuhai is:

Floor 7, 53 Bailian Road,
Jida, Zhuhai,
Guangdong Province, PRC
Telephone: (86-756) 3320 271
Website: <http://www.viagold.ws>

The address and contact number of the principal registered office in Australia is:

Suite 1102, Level 11,
370 Pitt Street, Sydney, NSW,
Australia
Area Code: 2000
Telephone: 61-411 313332 and 61-2 9283 3933

5. Registers of securities are kept at the following address:

a. Australia

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria, 3067
Australia
Telephone: (613) 9611 5774

b. Bermuda

Codan Services Limited
Clarendon House
PO Box HM 1022
Hamilton HM DX
Bermuda
Telephone: 1 (441) 295 5950