

# **Emperor Range Group Limited**

**ABN 19 161 234 395**

## **2016 Annual Report For the Year Ended 31 December 2016**

# Emperor Range Group Limited

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## Corporate Directory

### Corporate Directory

#### Directors

Mr Chen Yuhua, Chairman  
Mr Min Yu, Non-executive director  
Mr Pierre Lau, Non-executive director  
Ms Sherry Tao, Xue, Non-executive director

#### Company Secretary

Ms Sherry Tao, Xue

#### Registered Office and Principal Office

Level 41, ANZ Tower, 55 Collins Street  
Melbourne Victoria 3000  
Australia

Phone No: (613) 96541988  
Website: [www.ergau.com](http://www.ergau.com)

#### Share Registry

Boardroom Pty Limited  
Grosvenor Place, Level 12, 225 George Street  
Sydney, NSW 2000

Phone No: (612)92909600

#### Banker

Australia and New Zealand Banking Group Limited  
121 King William St  
Adelaide SA 5000

#### Auditor

BDO  
Level 7, 420 King William Street  
Adelaide SA 5000

**ASX Code**            **ERX**

# Emperor Range Group Limited

## Directors report

The directors of Emperor Range Group Limited present their report together with the financial statements of the consolidated entity (referred to hereafter as the “consolidated entity” or the “group”) consisting of Emperor Range Group Limited (referred to hereafter as the “company” or “parent entity”) and the entities it controlled for the year ended 31 December 2016.

## Directors

The following persons were directors of Emperor Range Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Yuhan Chen (re-elected 23 May 2016)  
Min Yu (appointed 16 February 2015)  
Pierre Lau (appointed 4 May 2015)  
Sherry Tao Xue (appointed 4 May 2015)  
Kao Chien-Chih (resigned 23 May 2016)

## Review of Operations

As at the end of December 2016, no further exploration activities occurred in the two tenements held by the Company in Xinjiang Autonomous Region.

As it is increasingly difficult to develop new projects because of regulatory risk, sovereign risk, environmental factors and financing issues, therefore there are no clear likely developments in the Group’s operations.

Until the Company is able to carry out its plan to develop its existing assets, the directors are committed to carrying out meaningful work by identifying and assessing opportunities that may be valuable to the Company. With a solid mineral asset base and sufficient cash from its initial public offering to carry out its work programs, the Company remains in a strong position to generate future wealth for shareholders.

## TENEMENT LOCATIONS AND DETAILS

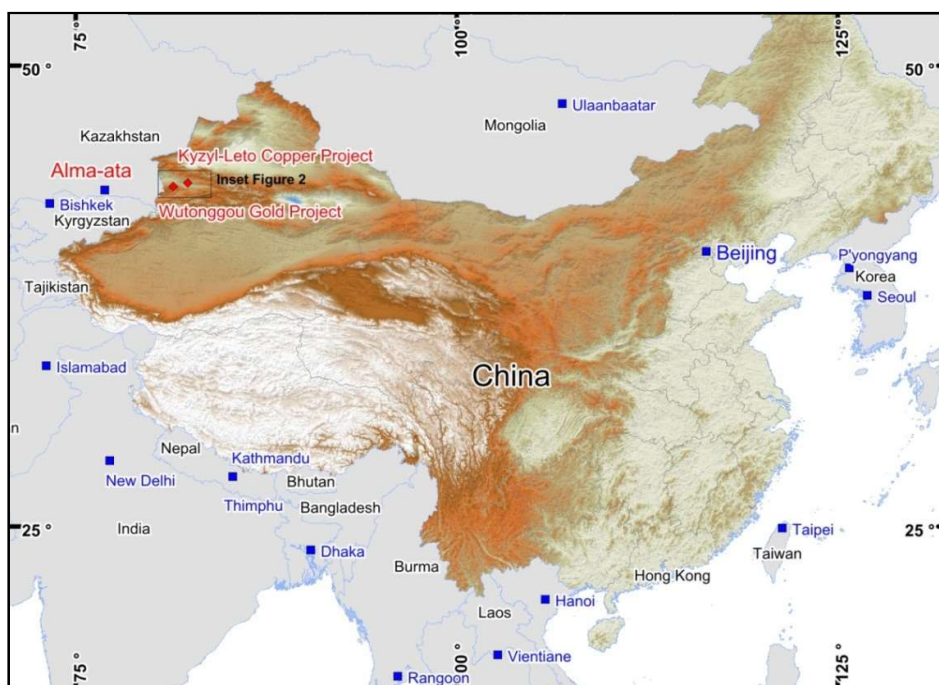


Figure 1. Emperor Range Minerals projects location map.



Figure 2. Emperor Range project locations in relation to Yining City.

### Kyzyl-letto copper project

The 100% owned Kyzyl-Leto Copper Project is located approximately 90km south-southeast of the City of Yining within the Yili Block of the Central Asian Orogenic Belt in Xinjiang, China.

#### Highlights

- Non-JORC compliant mineralisation of 4.27 million tonnes @ 1.93% for 82.3 kt of Cu.

Kyzyl-Leto has Chinese classified Non - JORC compliant mineralisation of 4,271,500 tonnes at 1.93% copper for 82,300 tons of copper metal and an exploration licence area of 13.05 square kilometres. Under the Chinese System of Resources Classification the resources have been classified as 332 and 333 which represent - Discovered but Indicated and Inferred respectively.

The Kyzyl-Leto East and West prospects remain prospective for additional copper mineralisation targeting potential extensions to currently known mineralisation. The priority is to target higher copper grades, increase tonnage and confidence in the mineralisation at the Kyzyl-Leto East and West prospects. Post infill drilling JORC Compliant Resources could be estimated and economic studies applied to the appropriate level of classified resource.

Within the broader Kyzyl license there remains strong exploration potential to discover additional outcropping and possibly concealed mineralisation related to other QAP intrusive bodies. Initial exploration completed has identified several other QAP dykes with low to moderate grade copper mineralisation at surface. Additional work programmes are proposed that will evaluate known copper anomalies but also assist in discovering potentially concealed mineralisation.

On June 27, 2014, Xinjiang Uygur Autonomous Region Land and Resources Department issued the exploration license, Certificate No: T65120090302026512, is valid from June 27, 2014 to June 27, 2017. The Company has prepared to extend the tenement holdings for further three years.

### Wutonggou gold project

The 100% owned Wutonggou Gold Project is located approximately 50 kilometres south south-east of the regional city of Yining within the Yili Block of the Central Asian Orogenic Belt in Xinjiang, China.

#### Highlights

# Emperor Range Group Limited

## Directors report (Continued)

- Exploration Target of 100 - 200kt @ 2.0 - 2.5g/t Au.

At Wutonggou, exploration to date has shown there is gold and copper mineralisation extending over at least 250m along strike that could warrant further investigation under the right market conditions. The exploration license, Certificate No: T65120091202037345, is valid from April 1, 2015 to April 1, 2018. The board has reassessed the prospects of this project and, based on recommendations from the project manager in China as well accounting for prevailing negative market conditions, has determined that it can no longer be considered commercially viable. Unless there is significant change in market conditions, it is likely that the Wutonggou exploration licence will not be further renewed upon expiration of its current term.

## Mineral Resources and Tenement Schedule

Wutonggou has two current Chinese Resource classifications summarised below:

| Chinese Classification | Tonnes (t)     | %    | Grade (Au)  | Kg (Au)      | Ounces (Au)   |
|------------------------|----------------|------|-------------|--------------|---------------|
| 332                    | 43 800         | 22.7 | 1.69        | 74.05        | 2 380         |
| 333                    | 149 100        | 77.3 | 2.67        | 398.85       | 12 823        |
| <b>Total</b>           | <b>192 900</b> |      | <b>2.45</b> | <b>472.9</b> | <b>15 203</b> |

## Comparison of Mineral Resources Statement to the Prior Year

As at the reporting date there were no changes to any of the Mineral Resources recorded over the previous year.

## Competent Person's Requirement - Exploration Results and Mineral Resources

Information in this report that relates to the Company's exploration results or estimates of mineral resources or ore reserves was originally provided in the Company's Replacement Prospectus dated 4 August 2014 and announced on the ASX on 19 September 2014 (Replacement Prospectus). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Replacement Prospectus and in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the Replacement Prospectus continue to apply and have not materially changed.

## Tenement Holdings and Movements

Mining Tenements and Beneficial Interest held as at 31 December 2016:

| Tenement        | Location | Project    | Holder                      | Interest (%) |
|-----------------|----------|------------|-----------------------------|--------------|
| Kyzyl-Leto East | Yining   | Kyzyl-Leto | Emperor Range Group Limited | 100          |
| Kyzyl-Leto West | Yining   | Kyzyl-Leto | Emperor Range Group Limited | 100          |
| Wutonggou       | Yining   | Wutonggou  | Emperor Range Group Limited | 100          |

## Principal Activities

The principal activities of the consolidated entity are the exploration for copper, gold and other mineral deposits in Xinjiang Uygur Autonomous Region of the People's Republic of China with the objective to develop the discoveries into profitable operating mines.

No significant change in the nature of these activities occurred during the year.

# Emperor Range Group Limited

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## Directors report (Continued)

### Corporate

Significant board changes that were implemented during the year:

Mr Chien-Chih Kao has stepped down from the Board on 23 May 2016.

### Review of Financial Results

The loss of the consolidated entity for the financial year is \$985,087(2015: \$495,908).

### Significant Changes in the State of Affairs

No other significant changes in the consolidated entity's state of affairs occurred during the financial year.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Events subsequent after the reporting period

Subsequent to year end, the carrying value of assets was assessed as of 31 December 2016 and a total of \$590,722 was charged to impairment during the period related to capitalised exploration expenditure carried from prior periods. The impairment write down was due to an assessment of the carrying value based on prosperity of tenements held by the Group. This write down related to the Wutonggou project (\$590,722) which has been written down due to lack of future prosperity on the tenement. The recoverable amounts of the assets, as assessed by the Board have been written down to \$nil.

### Likely Developments and Expected Results

As it remains difficult to develop new projects because of regulatory risk, sovereign risk, environmental factors and financing issues, therefore there are no clear likely developments in the Group's operations. Until the Company is able to carry out its plan to develop its existing assets the directors are committed to carrying out meaningful work by identifying and assessing opportunities that may be valuable to the Company.

### Environmental regulations

The consolidated entity's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia. The consolidated entity's operations are in China, and hence are regulated by Chinese Environmental Laws as well. There have not been any breaches under Chinese Environmental Laws since the start of the financial year to the date of this report unless otherwise stated.

### Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

### Shares under option

There were no unissued ordinary shares of Emperor Range Group Limited under option outstanding at the date of this report

# Emperor Range Group Limited

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## Directors report (Continued)

### Shares issued on the exercise of options

There were no shares of Emperor Range Group Limited issued on the exercise of options during the year ended 31 December 2016 and up to the date of this report.

### Information on current directors

Name: Yuhan Chen  
Title: Executive Chairman and Managing Director  
Experience and expertise: Chen Yuhan (LLB) obtained a law degree from the economic Law Department of East China University of Politics and Law. After graduation, he served in the Fuzhou Foreign Economic and Trade Commission and engaged in the foreign investment approval process. He commenced in private practice in 1996, and during practice specialized in corporate legal commerce. In 2010, he established the Fujian Helun Law Firm and served as Director, and in the same year established the Beijing Jinwo (Beijing) Venture Capital Co., Ltd branching into the commercial areas of private equity (PE) investment and capital operation. Mr Chen was appointed by the Fuzhou Arbitration Commission as an arbitrator for two consecutive terms from February 23, 2010 to date.

Mr Chen is a resident of China.  
Other current directorships: None  
Former directorships (in the last 3 years): None  
Special responsibilities: Nomination and Remuneration Committee member  
Interest in shares: 68,548,000 (indirect and direct interest)  
Interest in options: None

Name: Pierre Lau  
Title: Non-executive director  
Experience and expertise: Pierre Lau is an Australian qualified senior commercial lawyer and a partner at Chambers & Company; an Australian commercial law firm specialising in mining and resources with an established China practice. He is experienced in advising and working with private and public companies on a broad range of commercial and legal matters, and has been involved in a number of successful initial public offers on the ASX. He has also held directorships and with several Australian companies. He is currently a non-executive director of Shenhua International Ltd (ASX:SHU) and company secretary to Wugang (Australia) Pty Ltd, Maanshan Iron & Steel (Australia) Pty Ltd and Hesteel (Australia) Pty Ltd.

Pierre holds a double degree in law and commerce from Monash University as well as a postgraduate diploma in intellectual property law from University of Melbourne. He is a member of the Law Institute of Victoria, Australia China Business Council, Australia Malaysia Business Council and Chartered Secretaries and Administrators.

Mr Lau is a resident of Australia  
Other current directorships: Shenhua International Limited (ASX:SHU)  
Former directorships (in the last 3 years): None  
Special responsibilities: Audit and Risk Management Committee member  
Interest in shares: None  
Interest in options: None



# Emperor Range Group Limited

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## Directors report (Continued)

Name: Sherry Tao Xue  
Title: Non-Executive Director  
Experience and expertise: Sherry Tao, Xue, has over 20 years' experience in investment banking both in Australia and China. She has a wealth of experience in Initial Public Offerings, mergers & acquisitions and corporate adviser. She has at senior management levels with companies including China Commodity Futures Exchange, China Galaxy Securities Corporation, one of Singapore's commercial banks and 2 unlisted public companies in Australia. She is currently company secretary of Shenhua International Ltd (ASX:SHU).

She is an economics graduate with Doctorate, Master and Bachelor degrees from Zhejiang University in China. She has also been awarded the Certificate in Governance Practice and Administration by Chartered Secretaries and Administrators.

Other current directorships: Ms Xue is a resident of Australia.  
None  
Former directorships (in the last 3 years): None  
Special responsibilities: Audit and Risk Management Committee member, Nomination and Remuneration Committee member  
Interest in shares: None  
Interest in options: None

Name: Min Yu  
Title: Non-Executive Director  
Experience and expertise: Mr Yu has over 20 years' experience in senior management positions and 10 years' experience in international trade, minerals and metals. Mr Yu has previously held the position of General Manager of Fujian Ningde Hydropower Construction Company, and has also served as Vice-President of Beijing Fuzhou Chamber of Commerce, Vice- President of Beijing Import and Export Association and Vice-President of China Investment Association. Mr Yu graduated from the School of Economics at Xiamen University and holds an Economics and Management Major from Russia State Transport University.

Other current directorships: Mr Yu is a resident of China  
None  
Former directorships (in the last 3 years): None  
Special responsibilities: Audit and Risk Management Committee chairperson, Nomination and Remuneration Committee chairperson  
Interest in shares: 6,234,000 ordinary shares  
Interest in options: None

Name: Chien-Chih Kao (Resigned 23 May 2016)  
Title: Non-Executive Director  
Experience and expertise: Mr Kao has more than 20 years' experience in investment banking, corporate finance, venture capital investment, mutual funds and financial consulting.

Mr Kao is currently Chairman of Beijing based Eagle Investment Group Limited. Mr has previously held the position of Chairman of Qushichuangye Investment Group Limited, Chairman of Nuoya Management Consulting Co., Ltd, Chairman of Caituanfaren Earth



# Emperor Range Group Limited

## Directors report (Continued)

Ecological Environment Protection Foundation and director of Juguochuangye Management Consulting Co., Ltd.

Mr Kao is a resident of China

Other current directorships: None

Former directorships (in the last 3 years): None

Special responsibilities: None

Interest in shares: 5,100,000 ordinary shares

Interest in options: None

## Sherry Tao,Xue

### Company Secretary

Sherry has more than 20 years' experience in the financial industry in Australia, Singapore and China at senior management levels with companies including China Commodity Futures Exchange, China Galaxy Securities Corporation, Kinghing Securities Co. Ltd and one of Singapore's commercial banks.

Ms Xue has held the role of Company Secretary since May 2015.

## Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 31 December 2016, and the number of meetings attended by each director were:

|                 | Full Board |      | Audit and Risk Management Committee |      | Nomination and Remuneration Committee |      |
|-----------------|------------|------|-------------------------------------|------|---------------------------------------|------|
|                 | Attended   | Held | Attended                            | Held | Attended                              | Held |
| Yuhan Chen      | 1          | 1    |                                     | -    | 1                                     | 1    |
| Min Yu          | 1          | 1    | 2                                   | 2    | 1                                     | 1    |
| Chien-Chih Kao* | 1          | 1    | -                                   | -    | -                                     | -    |
| Pierre Lau      | 1          | 1    | 2                                   | 2    | -                                     | -    |
| Sherry Tao, Xue | 1          | 1    | 2                                   | 2    | 1                                     | 1    |

*\*Stepped down on 23 May 2016 as non-executive director*

## Corporate Governance

The Board has adopted the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations - 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring it compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

- A summary of the Company's ongoing corporate governance practices is set out annually in the Company's corporate governance statement and can be found on the Company's website at [www.ergau.com/Statements\\_and\\_Policies.html](http://www.ergau.com/Statements_and_Policies.html).

## Remuneration Report (Audited)

The Directors of Emperor Range Group Limited ( 'the Company') and controlled entities (together 'the consolidated entity') present the Remuneration Report for non-executive directors, executive directors and other key management personnel prepared in accordance with the Corporations Act 2001 and its regulations.

The Remuneration Report is set out under the following main headings:

# Emperor Range Group Limited

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## Directors report (Continued)

- a. Principles used to determine the nature and amount of remuneration
- b. Details of remuneration
- c. Service agreements
- d. Share-based remuneration
- e. Additional disclosures relating to key management personnel
- f. Other transactions with key management personnel and their related parties

### (a) Principles used to determine the nature and amount of remuneration

The principles of the consolidated entity's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The consolidated entity has structured a remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The remuneration structure that has been adopted by the consolidated entity consists fixed remuneration being annual salary.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The payment of bonuses, share options and other incentive payments are reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

### Use of remuneration consultants

No remuneration consultant has been engaged by the consolidated entity.

### Short term incentive (STI)

The consolidated entity's performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the company values.

The performance measures are set annually after consultation with the directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

### (b) Details of remuneration

The key management personnel of the consolidated entity consisted of the following directors of Emperor Range Group Limited:

# Emperor Range Group Limited

## Directors report (Continued)

- Yuhan Chen - Executive Chairman and Managing Director
- Min Yu - Non-Executive Director
- Chien-Chih Kao - Non-Executive Director (resigned 23 May 2016)
- Pierre Lau - Non-Executive Director
- Sherry Tao, Xue - Non-Executive Director

And the following person:

- Sherry Tao Xue - Company Secretary

Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP') of the consolidated entity are shown in the table below:

### Director and other Key Management Personnel Remuneration

|                 |      | Short term employee benefits |                 |                            | Post-employment benefits - Super annuation (\$) | Long-term benefits (\$) | Termination benefits (\$) | Share-based payments (\$) | Total (\$) | % of remuneration that is performance based |
|-----------------|------|------------------------------|-----------------|----------------------------|---|-------------------------|---------------------------|---------------------------|------------|---|
|                 |      | Cash salary and fees (\$)    | Cash bonus (\$) | Non-monetary benefits (\$) |   |                         |                           |                           |            |   |
| Yuhan Chen      | 2016 | 45,662                       | -               | -                          | 4,338   | -                       | -                         | -                         | 50,000     | 0%  |
|                 | 2015 | 57,339                       | -               | -                          | 5,161   | -                       | -                         | -                         | 62,500     | 0%  |
| Chien-Chih Kao  | 2016 | 10,000                       | -               | -                          | -   | -                       | -                         | -                         | 10,000     | 0%  |
|                 | 2015 | 30,000                       | -               | -                          | -   | -                       | -                         | -                         | 30,000     | 0%  |
| Min Yu          | 2016 | 30,000                       | -               | -                          | -   | -                       | -                         | -                         | 30,000     | 0%  |
|                 | 2015 | 30,000                       | -               | -                          | -   | -                       | -                         | -                         | 30,000     | 0%  |
| Pierre Lau      | 2016 | 50,000                       | -               | -                          | -   | -                       | -                         | -                         | 50,000     | 0%  |
|                 | 2015 | 33,333                       | -               | -                          | -   | -                       | -                         | -                         | 33,333     | 0%  |
| Sherry Xue      | 2016 | 80,000                       | -               | -                          | -   | -                       | -                         | -                         | 80,000     | 0%  |
|                 | 2015 | 53,334                       | -               | -                          | -   | -                       | -                         | -                         | 53,334     | 0%  |
| Brendan Connell | 2016 | -                            | -               | -                          | -   | -                       | -                         | -                         | -          | N/A   |
|                 | 2015 | 25,000                       | -               | -                          | -   | -                       | -                         | -                         | 25,000     | 0%  |
| Michael Billing | 2016 | -                            | -               | -                          | -   | -                       | -                         | -                         | -          | N/A   |
|                 | 2015 | 25,000                       | -               | -                          | -   | -                       | -                         | -                         | 25,000     | 0%  |
| James Church    | 2016 | -                            | -               | -                          | -   | -                       | -                         | -                         | -          | N/A   |
|                 | 2015 | 7,500                        | -               | -                          | -   | -                       | -                         | -                         | 15,000     | 0%  |
| TOTAL           | 2016 | 215,662                      |                 |                            | 4,338   |                         |                           |                           | 220,000    |   |
|                 | 2015 | 269,006                      | -               | -                          | 5,161   | -                       | -                         | -                         | 274,167    |   |

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| Name           | Fixed remuneration \$ | At risk - STI \$ | At risk - Options \$ |
|----------------|-----------------------|------------------|----------------------|
| Yuhan Chen     | 50,000                | -                | -                    |
| Pierre Lau     | 50,000                | -                | -                    |
| Sherry Tao Xue | 80,000                | -                | -                    |
| Min Yu         | 30,000                | -                | -                    |
| Chien-Chih Kao | 10,000                |                  |                      |

# Emperor Range Group Limited

## Directors report (Continued)

### (c) Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration (excl GST) are set out below:

| Name                                  | Bases salary<br>\$ per annum | Term of agreement                     | Notice period |
|---------------------------------------|------------------------------|---------------------------------------|---------------|
| Yuhan Chen                            | 50,000                       | Ongoing unless terminated             | 6 months      |
| Min Yu                                | 30,000                       | Contingent upon re-election           | Nil           |
| Chien-Chih Kao*                       | 30,000                       | Contingent upon re-election           | Nil           |
| Pierre Lau                            | 50,000                       | Contingent upon re-election           | 3 months      |
| Sherry Tao Xue -<br>Directorship      | 50,000                       | Ongoing unless terminated             | 3 months      |
| Sherry Tao Xue -<br>Company Secretary | 30,000                       | Renewed annually unless<br>terminated | 1 month       |

*\*resigned on 23 May 2016*

### (d) Share-based remuneration

#### Options granted over unissued shares

There are no options issued by the consolidated entity.

### (e) Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

|                        | Balance at<br>the start of<br>the year | Received<br>as part of<br>remuneration | Additions     | Other<br>changes | Balance at<br>the end of<br>the year |
|------------------------|--|--|---------------|------------------|--------------------------------------|
| <i>Ordinary shares</i> |  |  |               |                  |                                      |
| Yuhan Chen*            | 68,500,000                             | -                                      | 48,000        | -                | 68,548,000                           |
| Min Yu**               | 6,234,000                              | -                                      | -             | -                | 6,234,000                            |
| Chien-Chih Kao***      | 5,100,000                              | -                                      | -             | -                | 5,100,000                            |
| Xue Tao                | -                                      | -                                      | -             | -                | -                                    |
| Pierre Lau             | -                                      | -                                      | -             | -                | -                                    |
|                        | <u>79,834,000</u>                      | <u>-</u>                               | <u>48,000</u> | <u>-</u>         | <u>79,882,000</u>                    |

\* 68,500,000 shares held by China Jinwo Holdings Ltd and 48,000 shares held by Mr. Chen Yuhan. Mr. Chen Yuhan is majority shareholder of China Jinwo Holdings Ltd.

\*\*1,780,000 shares held by Mr Min Yu and 4,454,000 shares held by Ruei Yu Industries Co Ltd. Mr. Yu is the majority shareholder of Ruei Yu Industries Co Ltd.

\*\*\* 5,100,000 of shares held by Mr Chien-Chih Kao as at the date of his resignation on 23 May 2016.

# Emperor Range Group Limited

## Directors report (Continued)

### (f) Other transactions with key management personnel and their related parties

#### *Director's loan*

|   | 2016     | 2015      |
|---|----------|-----------|
|   | \$       | \$        |
| Loans from Mr Yuhan Chen (executive director) |          |           |
| Beginning of the year                         | 428,194  | 567,273   |
| Loans advanced                                | -        | -         |
| Repayments made                               |          | (211,236) |
| Interest charged                              | 72,469   | 72,157    |
| Fair value adjustment                         | -        | -         |
| Exchange difference                           | (13,522) | -         |
| End of year                                   | 487,141  | 428,194   |

Amounts payable to related parties at balance date were as follows:

|   |         |         |
|---|---------|---------|
| Current liabilities                     |         |         |
| - Other payable - Yuhan Chen (director) | 487,141 | 428,194 |
|   | 487,141 | 428,194 |

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### *End of audited remuneration report*

#### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### **Proceedings on behalf of Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

#### **Non-audit services**

During the year, BDO (SA) Pty Ltd, the Company's auditors, performed certain other services in addition to their statutory audit duties. Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 12 to the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied

# Emperor Range Group Limited

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## Directors report (Continued)

that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

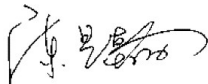
- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, BDO Audit (SA) Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in the notes to the Financial Statements.

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is included in this report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Yuhan Chen

Dated: 31 March 2017



Tel: +61 8 7324 6000  
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**DECLARATION OF INDEPENDENCE**  
**BY MICHAEL HAYDON**  
**TO THE DIRECTORS OF EMPEROR RANGE GROUP LIMITED**

As lead auditor of Emperor Range Group Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Emperor Range Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'm haydon', followed by a long horizontal line extending to the right.

Michael Haydon  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 31 March 2017



## Emperor Range Group Limited

### Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2016

|  | Note | Consolidated<br>2016<br>\$ | 2015<br>\$       |
|--|------|----------------------------|------------------|
| Revenue  |      | -                          | -                |
| Other income   | 2    | 11,269                     | 23,573           |
| Impairment Charges   | 7    | (590,722)                  | -                |
| Administrative expenses  | 2    | (333,165)                  | (447,324)        |
| Finance expenses   |      | (72,469)                   | (72,157)         |
| <b>Profit/(Loss) before income tax expense</b>   |      | <b>(985,087)</b>           | <b>(495,908)</b> |
| Income tax expense   | 3    | -                          | -                |
| <b>Profit/(Loss) after income tax expense</b>  |      | <b>(985,087)</b>           | <b>(495,908)</b> |
| <b>Other comprehensive income for the year, net of tax</b>                                       |      |                            |                  |
| <i>Items that may be reclassified subsequently to profit or loss</i>                             |      |                            |                  |
| Foreign currency translation (net of tax: Nil)   |      | (117,063)                  | 137,869          |
| Other comprehensive income for the year  |      | (117,063)                  | 137,869          |
| <b>Total comprehensive income for the year</b>   |      | <b>(1,102,150)</b>         | <b>(358,039)</b> |
| Profit/(Loss) for the year is attributable to owners of Emperor Range Group Limited              |      | (985,087)                  | (495,908)        |
| Total comprehensive income for the year is attributable to owners of Emperor Range Group Limited |      | (1,102,150)                | (358,039)        |
| Earnings per share for profit attributable to owners of the company                              |      | <b>Cents</b>               | <b>Cents</b>     |
| - Basic earnings per share (cents per share)   | 4    | (1.08)                     | (0.54)           |
| - Diluted earnings per share (cents per share)   | 4    | (1.08)                     | (0.54)           |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Emperor Range Group Limited

### Consolidated Statement of Financial Position as at 31 December 2016

|  | Note | Consolidated<br>2016<br>\$ | 2015<br>\$       |
|--|------|----------------------------|------------------|
| <b>CURRENT ASSETS</b>                  |      |                            |                  |
| Cash and cash equivalents              | 5    | 1,012,622                  | 1,315,877        |
| Other receivables                      |      | 13,496                     | 19,299           |
| <b>TOTAL CURRENT ASSETS</b>            |      | <b>1,026,118</b>           | <b>1,335,176</b> |
| <b>NON-CURRENT ASSETS</b>              |      |                            |                  |
| Property, plant and equipment          | 6    | 72,154                     | 87,493           |
| Exploration and evaluation assets      | 7    | 1,676,600                  | 2,392,806        |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | <b>1,748,754</b>           | <b>2,480,299</b> |
| <b>TOTAL ASSETS</b>                    |      | <b>2,774,872</b>           | <b>3,815,475</b> |
| <b>CURRENT LIABILITIES</b>             |      |                            |                  |
| Trade and other payables               | 8    | 20,600                     | 18,000           |
| Other payables to related parties      | 19   | 487,141                    | 428,194          |
| <b>TOTAL CURRENT LIABILITIES</b>       |      | <b>507,741</b>             | <b>446,194</b>   |
| <b>TOTAL LIABILITIES</b>               |      | <b>507,741</b>             | <b>446,194</b>   |
| <b>NET ASSETS</b>                      |      | <b>2,267,132</b>           | <b>3,369,281</b> |
| <b>EQUITY</b>                          |      |                            |                  |
| Contributed equity                     | 9    | 4,128,145                  | 4,128,145        |
| Foreign exchange reserve               |      | 39,146                     | 156,209          |
| Retained profits/ (Accumulated losses) |      | (1,900,160)                | (915,073)        |
| <b>TOTAL EQUITY</b>                    |      | <b>2,267,132</b>           | <b>3,369,281</b> |

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

## Emperor Range Group Limited

### Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

|  | Contributed<br>equity<br>\$ | Foreign<br>exchange<br>reserve<br>\$ | Retained<br>Profits<br>\$ | Total<br>\$ |
|--|-----------------------------|--------------------------------------|---------------------------|-------------|
| Balance at 1 January 2015                        | 4,128,145                   | 18,340                               | (419,165)                 | 3,727,320   |
| Loss for the year                                | -                           | -                                    | (495,908)                 | (495,908)   |
| <i>Other comprehensive income:</i>               |                             |                                      |                           |             |
| Foreign currency translation reserve differences | -                           | 137,869                              | -                         | 137,869     |
| <i>Total comprehensive income</i>                | -                           | 137,869                              | (495,908)                 | (358,039)   |
| Balance at 31 December 2015 and 1 January 2016   | 4,128,145                   | 156,209                              | (915,073)                 | 3,369,281   |
| Loss for the year                                | -                           | -                                    | (985,087)                 | (985,087)   |
| <i>Other comprehensive income:</i>               |                             |                                      |                           |             |
| Foreign currency translation reserve differences | -                           | (117,063)                            | -                         | (117,063)   |
| <i>Total comprehensive income</i>                | -                           | (117,063)                            | (985,087)                 | (1,102,150) |
| Balance at 31 December 2016                      | 4,128,145                   | 39,146                               | (1,900,160)               | 2,267,131   |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Emperor Range Group Limited

### Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

|  | Note | Consolidated |            |
|--|------|--------------|------------|
|  |      | 2016<br>\$   | 2015<br>\$ |
| <b>Cash flows from operating activities</b>                          |      |              |            |
| Payments to suppliers and employees                                  |      | (314,197)    | (625,428)  |
| <b>Net cash (outflows) from operating activities</b>                 | 13   | (314,197)    | (625,428)  |
| <b>Cash flows from investing activities</b>                          |      |              |            |
| Interest received  |      | 11,269       | 23,573     |
| <b>Net cash inflow from investing activities</b>                     |      | 11,269       | 23,573     |
| <b>Cash flows from financing activities</b>                          |      |              |            |
| Proceeds from/ (Repayments of) directors loans                       |      | -            | (211,236)  |
| <b>Net cash (outflows) from financing activities</b>                 |      | -            | (211,236)  |
| <b>Net increase/(decrease)in cash and cash equivalents</b>           |      | (302,928)    | (813,091)  |
| <b>Cash and cash equivalents at the beginning of financial year</b>  |      | 1,315,877    | 2,125,690  |
| <b>Effects of exchange rate changes on cash and cash equivalents</b> |      | (327)        | 3,278      |
| <b>Cash and cash equivalents at end of financial year</b>            | 5    | 1,012,622    | 1,315,877  |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Emperor Range Group Limited and its controlled entities. Emperor Range Group Limited is a company limited by shares, incorporated and domiciled in Australia.

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 consolidated financial statements are presented in Australian dollars which is Emperor Range Group Limited's functional and presentation currency.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 March 2017 by the Directors.

#### Significant accounting policies

##### *a. Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Emperor Range Group Limited ('company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the year then ended. Emperor Range Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

#### *b. Business combinations*

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

c. *Income Tax*

The income tax expense (benefit) for the year comprises current income tax expense/(income) and deferred income tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

d. *Other receivable*

Other receivables are recognised at amortised cost, less any provision for impairment.

e. *Property, Plant and Equipment*

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

*Property, plant and equipment*

Property, plant and equipment are measured on the cost basis. The carrying amount of property, plant and equipment is reviewed annually by the directors and management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

*Depreciation*

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

*Plant and equipment*     10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date. 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 proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.



## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*f. Exploration and Evaluation Assets*

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

*g. Financial Instruments*

*Initial recognition and measurement*

Financial assets and liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the profit or loss', in which case the costs are expensed to the profit and loss immediately.

*Classification and subsequent measurement*

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties. Where available, quoted prices, in an active market are used to determine fair value.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments,

*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 and are stated at amortised cost using the effective interest rate method.

*ii. Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost using effective interest rate method

*Impairment of financial assets*

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With the exception of available-for-sale equity instruments, 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, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

#### *h. Impairment of Non-Financial Assets*

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

#### *i. Revenue recognition*

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *j. Provisions*

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### *k. Cash and Cash Equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### *l. Trade and other payables*

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services and director loans received by the consolidated entity which remains unpaid.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*m. Issued capital*

Ordinary shares are classified as equity.

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

*n. Operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

*o. Foreign Currency Transactions and Balances*

*Functional and presentation currency*

The functional currency of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

*Foreign currency transactions*

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

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

*p. Critical Accounting Estimates and Judgments*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Estimation of useful lives of assets*

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

### *q. New, revised or amending Accounting Standards and Interpretations adopted*

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

## 2. REVENUE AND EXPENSES

|                               | Consolidated |            |
|-------------------------------|--------------|------------|
|                               | 2016<br>\$   | 2015<br>\$ |
| a.) Other Income              |              |            |
| Interest income               | 11,269       | 23,573     |
| b.) Administrative Expenses   |              |            |
| Bank charges                  | 384          | 508        |
| Travelling expenses           | 8,609        | 4,865      |
| Legal fees                    | 3,000        | -          |
| Audit fees                    | 33,554       | 30,300     |
| Insurance expenses            | 12,179       | 12,240     |
| Employee benefits expenses    | 220,000      | 274,167    |
| Other professional fees       | 16,016       | 24,388     |
| Regulators fees               | 16,162       | 54,658     |
| Depreciation expenses         | 10,567       | 11,058     |
| Other administration expense  | 12,694       | 35,140     |
| Total administrative expenses | 333,165      | 447,324    |

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 3. INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of the consolidated entity and the reported tax expense in profit or loss are as follows:

|  | Consolidated |           |
|--|--------------|-----------|
|  | 2016         | 2015      |
|  | \$           | \$        |
| Income tax expenses                              | -            | -         |
| Loss before tax                                  | (985,087)    | (495,908) |
| Tax rate   | 30%          | 30%       |
| Prima facie income tax expenses/(benefit) at 30% | (295,526)    | (148,773) |
| Difference in overseas tax rates                 | 563          | 555       |
| Expected income tax expenses/(benefit)           | (294,963)    | (148,218) |
| Temporary tax differences not brought to account | 294,963      | 148,218   |
| Actual income tax expense (benefit)              | -            | -         |

The Australian tax rate is 30% (2015: 30%). The Chinese income tax rate is 25% (2015: 25%).

#### *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items:

|   | Consolidated |         |
|---|--------------|---------|
|   | 2016         | 2015    |
|   | \$           | \$      |
| Unused tax losses for which no deferred tax asset has been recognised | 1,900,160    | 915,073 |

Management does not believe it is appropriate to recognise the deferred tax assets as the activities of the consolidated entity have not reached a stage of maturity that enables their recovery to be probable.

### 4. EARNINGS PER SHARE

|   | Consolidated |            |
|---|--------------|------------|
|   | 2016         | 2015       |
|   | \$           | \$         |
| Profit/(Loss) attributable to the owners used to calculate basic EPS and dilutive EPS                                 | (985,087)    | (495,908)  |
|   | Number       | Number     |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS | 91,000,000   | 91,000,000 |
|   | Cents        | Cents      |
| Basic earnings per share  | (1.08)       | (0.54)     |
| Diluted earnings per share  | (1.08)       | (0.54)     |

# Emperor Range Group Limited

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 5. CASH AND CASH EQUIVALENTS

|                          | Consolidated     |                  |
|--------------------------|------------------|------------------|
|                          | 2016<br>\$       | 2015<br>\$       |
| Cash on hand and at bank | 1,012,622        | 1,315,877        |
|                          | <u>1,012,622</u> | <u>1,315,877</u> |

### 6. PROPERTY, PLANT AND EQUIPMENT

|   | Consolidated      |                   |
|---|-------------------|-------------------|
|   | 2016<br>\$        | 2015<br>\$        |
| <b>Plant and equipment</b>              |                   |                   |
| At cost                                 | 113,352           | 120,147           |
| Accumulated depreciation                | (41,198)          | (32,654)          |
| Total plant and equipment               | <u>72,154</u>     | <u>87,493</u>     |
| <br>Total property, plant and equipment | <br><u>72,154</u> | <br><u>87,493</u> |

#### Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

|                                     | Plant and<br>equipment | Total         |
|-------------------------------------|------------------------|---------------|
| Opening balance at 1 January 2016   | 87,493                 | 87,493        |
| Additions                           | -                      | -             |
| Depreciation expense                | (10,567)               | (10,567)      |
| Foreign exchange differences        | (4,772)                | (4,772)       |
| Closing balance at 31 December 2016 | <u>72,154</u>          | <u>72,154</u> |

# Emperor Range Group Limited

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 7. EXPLORATION AND EVALUATION ASSETS

|   | Consolidated |            |
|---|--------------|------------|
|   | 2016<br>\$   | 2015<br>\$ |
| Costs carried forward in respect of areas of interest:<br>Exploration and evaluation phase                | 1,676,600    | 2,392,806  |
| A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below: |              |            |
| Costs brought forward   | 2,392,806    | 2,263,579  |
| Impairment charges  | (590,722)    | -          |
| Expenditure capitalised during the year   | -            | -          |
| Foreign exchange differences  | (125,484)    | 129,227    |
|   | 1,676,600    | 2,392,806  |

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively, sale of the respective areas of interest.

The carrying value of assets was assessed as of 31 December 2016 and a total of \$590,722 was charged to impairment during the period related to capitalised exploration expenditure carried from prior periods. The impairment write down was due to an assessment of the carrying value based on prosperity of tenements held by the Group. This write down related to the Wutonggou project (\$590,722) which has been written down due to lack of future prosperity on the tenement. The recoverable amounts of the assets, as assessed by the Board, have been assessed on a fair value less cost to sell basis using a net present value calculation of the potential development of the Wutonggou project and have been written down to \$nil. These impairments have been recognised in "impairment expense" in the consolidated statement of profit or loss and other comprehensive income.

### 8. TRADE AND OTHER PAYABLES

|                                     | Consolidated |            |
|-------------------------------------|--------------|------------|
|                                     | 2016<br>\$   | 2015<br>\$ |
| Current                             |              |            |
| - Other payables and accruals       | 20,600       | 18,000     |
| - Other payables to related parties | 487,141      | 428,194    |
|                                     | 507,741      | 446,194    |

Note 19(c)

### 9. ISSUED CAPITAL

|   | Consolidated |            |
|---|--------------|------------|
|   | 2016<br>\$   | 2015<br>\$ |
| (a) Contributed Equity                        |              |            |
| Issued share capital                          | 4,500,100    | 4,500,100  |
| Additional capital contribution               | 320,544      | 320,544    |
| Less transaction costs arising on share issue | (692,499)    | (692,499)  |
|   | 4,128,145    | 4,128,145  |



## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 9. ISSUED CAPITAL (CONTINUED)

#### Issued share capital

|                              | 2016<br>Shares | 2015<br>Shares | 2016<br>\$ | 2015<br>\$ |
|------------------------------|----------------|----------------|------------|------------|
| Ordinary shares - fully paid | 91,000,000     | 91,000,000     | 4,500,100  | 4,500,100  |

|                                | Number of shares |            |
|--------------------------------|------------------|------------|
|                                | 2016             | 2015       |
| Opening balance                | 91,000,000       | 91,000,000 |
| Shares issue during the period | -                | -          |
| Closing balance                | 91,000,000       | 91,000,000 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### *(b) Capital Management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. In order to do so, management effectively manages the capital, being the contributed equity of the consolidated entity by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital during the year.

### 10. FINANCIAL INSTRUMENTS

#### ***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Management identifies, evaluates and hedges financial risks within the consolidated entity's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of financial instruments and investment of excess liquidity where appropriate.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

The consolidated entity's financial instruments consist mainly of:

|                                   | Consolidated |           |
|-----------------------------------|--------------|-----------|
|                                   | 2016         | 2015      |
| Cash and cash equivalents         | 1,012,622    | 1,315,877 |
| Trade and other receivables       | 13,496       | 19,299    |
|                                   | 1,026,118    | 1,335,176 |
| Trade and other payables          | 20,600       | 18,000    |
| Other payables to related parties | 487,141      | 428,194   |
|                                   | 507,741      | 446,194   |

#### (a) Market Risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The consolidated entity does not have significant balances denominated in currency other than the functional currency of the respective companies within the consolidated entity nor does it have significant exposure to foreign exchange risk.

##### (ii) Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange or interest rate risk). The consolidated entity is not exposed to any material price risk.

##### (iii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities.

The consolidated entity's exposure to interest rate risk is low as it relates principally to its short term deposits placed with financial institutions in which the impact of +/- 5% in interest rates will not have a significant impact on the Company's profit and equity. The consolidated entity does not currently have any interest bearing financial liabilities.

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

There are no significant concentrations of credit risk for receivables, whether through exposure to individual customers, specific industry sectors and/or regions. No receivable balance was considered impaired at the end of the reporting period. Cash and cash equivalents are held with financial institutions with a minimum independent credit rating of 'A' to mitigate the credit risk.

# Emperor Range Group Limited

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

|                                 | Weighted<br>average<br>interest rate | 1 year or<br>less | Between 1<br>and 2 years | Over 2<br>years | Total<br>contractual<br>cash flows | Carrying<br>amount<br>(assets)/<br>liabilities |
|---------------------------------|--------------------------------------|-------------------|--------------------------|-----------------|------------------------------------|--|
| Consolidated - 2016             | %                                    | \$                | \$                       |                 | \$                                 | \$   |
| Non-derivatives                 |                                      |                   |                          |                 |                                    |  |
| Non-interest bearing            |                                      |                   |                          |                 |                                    |  |
| Trade and other payables        | -%                                   | 20,600            | -                        |                 | 20,600                             | 20,600   |
| Other payables to related party | 12%                                  | 487,141           | -                        | -               | 487,141                            | 487,141  |

#### Consolidated - 2015

|                                 |     |         |   |   |         |         |
|---------------------------------|-----|---------|---|---|---------|---------|
| Non-derivatives                 |     |         |   |   |         |         |
| Non-interest bearing            |     |         |   |   |         |         |
| Trade and other payables        | -%  | 18,000  | - |   | 18,000  | 18,000  |
| Other payables to related party | 12% | 428,194 | - | - | 428,194 | 428,194 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### 11. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2016<br>\$     | 2015<br>\$     |
| Short-term employee benefits | 215,662        | 269,006        |
| Post-employment benefits     | 4,338          | 5,161          |
| Long-term benefits           | -              | -              |
| Share-based payments         | -              | -              |
|                              | <u>220,000</u> | <u>274,167</u> |

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 12. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by BDO Audit (SA) Pty Ltd the auditor of the consolidated entity or their related practices.

|                                      | Consolidated  |               |
|--------------------------------------|---------------|---------------|
|                                      | 2016          | 2015          |
|                                      | \$            | \$            |
| Audit services                       | 31,509        | 30,300        |
| Tax compliance and advisory services | 1,845         | 2,050         |
|                                      | <u>33,354</u> | <u>32,350</u> |

### 13. RECONCILIATION OF NET LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES:

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 2016             | 2015             |
|   | \$               | \$               |
| Net (loss) after income tax for the year    | (985,087)        | (495,908)        |
| Less interest income                        | (11,269)         | (23,573)         |
| Adjustments for non-cash items              |                  |                  |
| - Impairment charge                         | 590,722          | -                |
| - Non-cash flows - depreciation             | 10,567           | 11,058           |
| - Expenses directly paid by director        | -                | -                |
| Fair value adjustment to related party loan | 72,469           | 72,157           |
| Share issue transactions cost not paid      | -                | -                |
| (Increase)/decrease in other receivable     | 5,803            | 83,066           |
| (Increase)/decrease in prepayments          | -                | (10,833)         |
| Increase/(decrease) in other payable        | (2,600)          | (261,395)        |
| Net operating cash flows                    | <u>(314,197)</u> | <u>(625,428)</u> |

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 14. COMMITMENTS FOR EXPENDITURE

#### *Exploration Expenditure Commitments*

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity.

There were no expenditure commitments for the consolidated entity at the end of the reporting period in respect of minimum expenditure requirements not provided for in the financial statements.

### 15. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at 31 December 2016 and 31 December 2015.

### 16. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1(a):

|   | Country of incorporation | 2016 | 2015 |
|---|--------------------------|------|------|
| Horizon Mining Group Co., Limited                               | Hong Kong                | 100% | 100% |
| Subsidiary of Horizon Mining Group Co., Limited:                |                          |      |      |
| - Fujian Sanming Longhui Industry & Trade co., LTD              | China                    | 100% | 100% |
| Subsidiary of Fujian Sanming Longhui Industry & Trade co., LTD: |                          |      |      |
| - Jinwo Datong Mining Co., LTD of Qapqal Xibe Autonomous County | China                    | 100% | 100% |
| - Jinwo Datong Mining Co., LTD of Yining city                   | China                    | 100% | 100% |

There was no deed of cross guarantee entered by the parent entity and its subsidiaries as at 31 December 2016 or 31 December 2015 respectively.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 17. SEGMENT REPORTING

The consolidated entity is organised into one single operating segment, being mining and exploration in Xinjiang Autonomous Region of the People's Republic of China. All non-current assets are held under Fujian Sanming Longhui Industry & Trade Co., Ltd, the Chinese operating entity located in the People's Republic of China. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

### 18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the carrying value of assets was assessed as of 31 December 2016 and a total of \$590,722 was charged to impairment during the period related to capitalised exploration expenditure carried from prior periods. The impairment write down was due to an assessment of the carrying value based on prosperity of tenements held by the Group. This write down related to the Wutonggou project (\$590,722) which has been written down due to lack of future prosperity on the tenement. The recoverable amounts of the assets, as assessed by the Board have been written down to \$nil.

### 19. RELATED PARTY TRANSACTIONS

#### *Parent entity*

Emperor Range Group Limited is the parent entity.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 16.

#### *(a) Key management personnel*

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2016           | 2015           |
|                              | \$             | \$             |
| Short-term employee benefits | 215,662        | 269,006        |
| Post-employment benefits     | 4,338          | 5,161          |
| Long-term benefits           | -              | -              |
| Share-based payments         | -              | -              |
|                              | <u>220,000</u> | <u>274,167</u> |

# Emperor Range Group Limited

## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 19. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Director's loan

##### Loans from Mr Yuhan Chen (executive director)

|                       |          |           |
|-----------------------|----------|-----------|
| Beginning of the year | 428,194  | 567,273   |
| Loans advanced        | -        | -         |
| Loan repayments made  | -        | (211,236) |
| Interest charged      | 72,469   | 72,157    |
| Exchange difference   | (13,522) | -         |
| End of year           | 487,141  | 428,194   |

Amounts payable to related parties at balance date were as follows:

|   |         |         |
|---|---------|---------|
| Current liabilities                     |         |         |
| - Other payable - Yuhan Chen (director) | 487,141 | 428,194 |
|   | 487,141 | 428,194 |

Payable balances to related parties are non-interest bearing. The consolidated entity no longer has an unconditional right to defer settlement of the liability for 12 months after the reporting date, as the balance is now payable on demand. The carrying amount of the related party payable was previously discounted to its present value using an effective interest rate of 12% over the period of the loan ending 31 December 2016. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### 20. PARENT ENTITY INFORMATION

#### Statement of financial position

|   | Parent<br>2016<br>\$ | 2015<br>\$       |
|---|----------------------|------------------|
| Total current assets                    | 1,025,982            | 1,334,856        |
| <b>Total assets</b>                     | <b>2,762,499</b>     | <b>3,481,081</b> |
| Total current liabilities               | 495,367              | 402,609          |
| <b>Total liabilities</b>                | <b>495,367</b>       | <b>402,609</b>   |
| <b>Equity</b>                           |                      |                  |
| Contributed Equity                      | 3,807,601            | 3,807,601        |
| Retained profits / (Accumulated losses) | (1,540,469)          | (747,129)        |
| <b>Total equity</b>                     | <b>2,267,132</b>     | <b>3,060,472</b> |

# Emperor Range Group Limited

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## Notes to the Financial Statements for the Financial Year Ended 31 December 2016

### 20. PARENT ENTITY INFORMATION (CONTINUED)

*Statement of profit or loss and other comprehensive income*

|                            | Parent<br>2016<br>\$ | 2015<br>\$ |
|----------------------------|----------------------|------------|
| Profit/(Loss) for the year | (793,340)            | (484,805)  |
| Total comprehensive income | (793,340)            | (484,805)  |

The parent entity has no contingent liabilities or commitments as at 31 December 2016 (2015: nil). The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

### 21. GOING CONCERN

The annual financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. This includes the realisation of capitalised exploration and evaluation expenditure of \$1,676,600 (31 December 2015: \$2,392,806).

The consolidated entity has incurred a net loss after tax for the year ended 31 December 2016 of \$985,087 (31 December 2015: \$495,908) and operations were funded by a net cash outflow of \$302,928 (31 December 2015: Cash outflow of \$813,091).

The consolidated entity's ability to continue as a going concern is contingent on raising additional capital and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development.

The matters set out above indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The annual financial report does not include any adjustments that may be necessary if the consolidated entity is unable to continue as a going concern.

### 22. COMPANY DETAILS

The registered office of Emperor Range Group Limited is:

Level 41, 55 Collins Street, Melbourne, VIC 3000, Australia.

The principal place of business is:

Level 41, 55 Collins Street, Melbourne, VIC 3000, Australia.



# Emperor Range Group Limited

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## Director's declaration

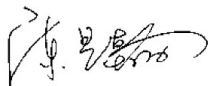
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Director  
Yuhan Chen

Dated this 31 of March 2017



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMPEROR RANGE GROUP LIMITED

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Emperor Range Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 21 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

### *Carrying Value of Exploration & Evaluation Asset*

The Group's disclosures in respect to exploration and evaluation assets are included at Notes 1(f), 1(h), 1(p) and 7 of the financial statements. These specifically explain the accounting policies for capitalising costs and the basis for continuing to carry these costs in the statement of financial position, impairment testing of non-financial assets, any key judgments that are involved along with information about movements in the assets carrying value during the year.

The carrying value of exploration and evaluation assets was considered significant to our audit because the value of \$1,676,600 at 31 December 2016 is material to the financial statements and the tenements are located in China. AASB 6 *Exploration for and Evaluation of Mineral Resources* also requires an annual assessment to be made of the entity's ability to carry forward exploration and evaluation assets and this requires a significant degree of judgement. The directors have decided that further exploration and evaluation activities are neither planned nor likely to be carried out on the Wutonggou project and impairment testing has resulted in a write-down of \$590,722 recognised in the statement of profit or loss and other comprehensive income.

Our audit procedures included, among others:

- Confirming that the Group holds current right to tenure for its areas of interest and maintained the tenements in good standing
- Considering the completeness and accuracy of the Wutonggou project costs that have been written-off as a result of impairment testing
- Assessing the appropriateness of carrying forward capitalised exploration and evaluation costs relating to the Kyzyl-Leto project.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included on pages 9 to 13 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Emperor Range Group Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

## **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (SA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Michael Haydon', is written over a horizontal line.

Michael Haydon

Director

Adelaide, 31 March 2017

## ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### SHAREHOLDINGS (as at 27 March 2017)

#### Ordinary Share Capital

91,000,000 fully paid ordinary shares are held by 314 individual shareholders.

#### Options

There are no unlisted options.

#### Class of shares and voting rights

1. at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
2. on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

#### On-market buy-back

There is no current on-market buy-back.

#### Distribution of listed equity securities

| Category (number of shares) | Number of Shareholders |
|-----------------------------|------------------------|
| 1 – 1,000                   | 1                      |
| 1,001 – 5,000               | 3                      |
| 5,001 – 10,000              | 228                    |
| 10,001 – 100,000            | 62                     |
| 100,001 and over            | 20                     |

There are 1 shareholder holding less than a marketable parcel. The minimum parcel size is 1 share.

#### Substantial Shareholdings

At 27 March 2017, the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

|                            | Ordinary Shares | %      |
|----------------------------|-----------------|--------|
| CHINA JINWO HOLDINGS GROUP | 68,500,000      | 75.275 |
| MR CHIEN-CHIN KAO          | 5,100,000       | 5.604  |
| RUEI YU INDUSTRIES CO LTD  | 4,454,000       | 4.895  |

# Emperor Range Group Limited

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## Twenty largest shareholders as at 27 March 2017

| Name                              | Number of shares hold | Percentage of shares hold |
|-----------------------------------|-----------------------|---------------------------|
| CHINA JINWO HOLDINGS GROUP CO LTD | 68,500,000            | 75.275                    |
| MR CHIEN-CHIH KAO                 | 5,100,000             | 5.604                     |
| RUEI YU INDUSTRIES CO LTD         | 4,454,000             | 4.895                     |
| MR WEIHUA WENG                    | 1,830,000             | 2.011                     |
| MR MIN YU                         | 1,780,000             | 1.956                     |
| MR GUOQUANG ZHANG                 | 920,000               | 1.011                     |
| MR YANRONG CHEN                   | 540,000               | 0.593                     |
| BENJAMIN CAPITAL PTY LTD          | 385,000               | 0.423                     |
| MR LAN CHEN                       | 315,000               | 0.346                     |
| MR JINHUA CHEN                    | 300,000               | 0.330                     |
| MR YANRONG CHEN                   | 245,000               | 0.269                     |
| MS JIARU LI                       | 200,000               | 0.220                     |
| MR BAOYUN JING                    | 200,000               | 0.220                     |
| MR GUANGHUI LI                    | 200,000               | 0.220                     |
| MR YANFENG ZHANG                  | 200,000               | 0.220                     |
| MR LI WAN                         | 200,000               | 0.220                     |
| MR DEYIN CHEN                     | 185,000               | 0.203                     |
| MR NING WANG                      | 170,000               | 0.187                     |
| MR YIFENG YIN                     | 150,000               | 0.165                     |
| J&S MIAMI PTY LTD                 | 105,000               | 0.115                     |
|                                   |                       |                           |
| <b>Total</b>                      | <b>85,979,000</b>     | <b>94.482%</b>            |