

VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

(ARBN: 070 352 500)

Reports and Consolidated Financial Statements

For the year ended 31 March 2017

VIAGOLD CAPITAL LIMITED

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VIAGOLD CAPITAL LIMITED

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

I am pleased to present the 2016/2017 annual results of ViaGold Capital Limited ("VIA") and its subsidiaries collectively referred to as the "Group" and the outlook for 2017.

REVIEW

During the review period, the Group recorded a turnover of AUD41,213,000 showing a significant increase as compared to the prior period (year ended 31 March 2016: AUD816,000).

During the year under review, although China has been taking measures to boost its economy, it was still under pressure shadowed by the slow recovery of global economy. Among the major operations in the provision of management and consulting services to education institutions as well as leasing and capital financing, the business environment remained inactive and very competitive. The loss attributable to the equity holders of the Group for the year ended 31 March 2017 was AUD1,112,000 (2016: AUD1,214,000). Within which:

- (i) the segment loss in education management was AUD350,000 (2016: AUD420,000) with turnover of AUD321,000 sustaining the turnover of AUD323,000 of prior period. This was mainly attributed to the reduction in cost by strengthening management in the period of review;
- (ii) the segment loss in leasing and capital financing was AUD54,000 (2016: profit of AUD53,000). The turnover during the year of review was AUD383,000 (2016: AUD493,000). This was mainly attributed to the continued competitive business environment and a reduction of leasing assets has been adopted; and
- (iii) the segment investment holding and administration loss was AUD920,000 which was mainly the annual mandatory statutory professional fee.
- (iv) Nevertheless, the Group has adopted the strategy of diversification in investment. Subsequent to the completion of the acquisition of Polygoal Capital in April 2016, the Group has broadened its scope of investment into the rare-earths processing and refinery industry. During the period under review, the segment revenue contributed by rare-earths processing and refinery were approximately AUD40,509,000 which has uplifted the Group's aggregate turnover for prior period by some 50 times; The segment profit for rare-earths processing and refinery was AUD654,000 which not only reduced the loss attributed to the equity holders as a whole but has lighted up a profitable path for the Group in the future.

As a result, the Group is able to maintain a stable growth.

VIAGOLD CAPITAL LIMITED

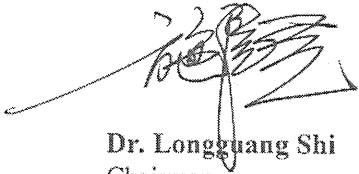
CHAIRMAN'S ADDRESS TO SHAREHOLDERS (Continued)

PROSPECT

Looking forward, the Group will continue to maintain the Group's businesses in the education management as well as leasing and capital financing sectors. While doing this, the Group will put more effort on actively developing various businesses in the rare-earths industry, including establishing procurement and supply chain relating to rare-earths mining, separation and refine processing, and will continue to seek good business opportunities to enhance the value of the shareholders of the Group.

APRPECIATION

On behalf of the Board of directors (the "Board"), I would like to express my sincere thanks to the Group's shareholders, customers, bankers and business associates for their continuing support to the Group. And I would also like to take this opportunity to express my heartfelt thanks to my fellow directors and all the dedicated employees of the Group for their hard work and contributing during the year.



Dr. Longguang Shi
Chairman

26 May 2017

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT

The directors of the Company are primarily responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices in operation throughout the Company for the financial year ended 31 March 2017 (except where otherwise indicated). The Statement also details compliance by the Company with the best practice recommendations set by the Australian Securities Exchange (“ ASX ”) Corporate Governance Council in its Corporate Governance Principles & Recommendations with 2010 Amendments released in June 2010 (Guide).

On the date of this report, the Board consists of three executive directors and three non-executive directors. Details of the directors are set out on page 19 in this Report.

The primary responsibilities of the Board include:

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

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

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
1	Lay solid foundations for management and oversight (Continued)		
1.2	Companies should disclose the process for evaluating the performance of senior executives.	One of the key functions of the Board under its Charter is its responsibility for monitoring the performance of the Chief Executive Officer and senior executives.	Not applicable.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 1.1 and 1.2 in its future annual reports.	Not applicable.
2	Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	<p>Currently, the Board comprises 6 directors, of which 3 are non-executive directors. Mr. Yan Wang and Mr. Ouyang Cong, can be characterised as independent for the purposes of the ASX Guidelines. The other 3 members of the Board are executive directors. Details of the Board members are set out on page 19 in this Report.</p> <p>All directors are subject to retirement by rotation. The Company's Nomination Committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, to ensure that the Board comprises a number of non-executive directors with an appropriate mix of skills, experience and independence.</p>	The Board recognises the importance of having a majority of independent directors. However, it also seeks to have the best possible balance of skills and experience for the Company's activities and has decided that a majority of independent directors is not of critical importance. The Board considers, given the size and business scope of the Company, that the persons selected as directors bring sufficient and specific skills, experience and independence of thought to ensure decisions by the Board are in the best interests of the Company and its shareholders.

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
2	Structure the Board to add value (Continued)		
2.2	The chair should be an independent director.	<p>The chair, Dr. Longguang Shi, is a non-executive director of the Company. Dr. Shi is not considered to be an independent director by reason of him being a non-executive director of the Company.</p> <p>The Board regards Dr. Shi as the best person to chair the Company in the interests of all shareholders.</p>	The Board recognises the importance of the chair being held by an independent director, however, it believes Dr. Shi to be the most appropriate person for this role, given his diverse background, his long involvement in the Company and his knowledge of its activities.
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual.	The roles of chair and Chief Executive Officer are not exercised by the same individual.	Not applicable.
2.4	The Board should establish a nomination committee.	<p>The Board has established a Nomination Committee and a Remuneration Committee. The Committees have a charter adopted by the Board which sets out the responsibilities of the Committees.</p> <p>The Nomination Committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, where considered necessary, to ensure that the Board comprises a number of non-executive directors with an appropriate mix of skills and experience. Where necessary, the Committee seeks the advice of external advisers in connection with the suitability of applicants for Board membership. Details of the Nomination Committee members are set out on page 17 in this Report.</p>	Not applicable.

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
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3	Promote ethical and responsible decision making (Continued)		
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.	Share same content with 3.1	Not applicable.
3.3	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The board, Ms. Mulei Shi, is an executive director of the Company. Details of the disclosure are set out on page 18 in this Report.	Not applicable.
3.4	Companies should provide the information indicated in the Guide to reporting on Principle 3.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 3.1 - 3.3 in its future annual reports.	Not applicable.

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
4	Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	The Board has established an Audit Committee. The Audit Committee Charter adopted by the Board sets out its responsibilities. Details of the Audit Committee members are set out on page 17 in this Report.	Not applicable.
4.2	<p>The audit committee should be structured so that it:</p> <p>(a) consists only of non-executive directors;</p> <p>(b) consists of a majority of independent directors;</p> <p>(c) is chaired by an independent chair, who is not the chair of the Board; and</p> <p>(d) has at least 3 members.</p>	<p>The Audit Committee presently consists of two independent non-executive director, being Mr. Ouyang Cong and Mr. Yan Wang. The Audit Committee provides a forum for the effective communication between the Board and external auditors. The audit committee reviews:</p> <ul style="list-style-type: none"> • the annual and half-year financial statements prior to their approval by the Board. • the effectiveness of management information systems and systems of internal control; • the appointment of external auditors; and • the efficiency and effectiveness of the external audit functions, including reviewing the relevant audit plans. 	<p>While not in accordance with the best practice recommendations, the Board is of the view that the experience and professionalism of the persons on the Committee is sufficient to ensure that all significant matters are addressed and actioned.</p> <p>The Company is also satisfied that the composition of the Audit Committee suits the present geographic diversity of the Company.</p>

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
7	Recognise and manage risk (Continued)		
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Prior to finalising the full year and half year financial statements and reports of the Company, the Audit Committee undertakes such investigations and reviews each year as it determines to be necessary to confirm the integrity of the financial reporting of the Company. Included in those steps, the Board requires the Chief Executive Officer and the Chief Financial Officer to make a statement (and sign off to the Board) on the management and internal controls of the Company and the financial reporting.	Not applicable.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 7.1 - 7.3 (inclusive) in its future annual reports.	Not applicable.
8	Remunerate reasonably and fairly		
8.1	The Board should establish a remuneration committee.	The Board has a Remuneration Committee.	Not applicable.
8.2	The remuneration committee should be structured so that it: (a) consists of a majority of independent directors; (b) is chaired by an independent chair, (c) has at least 3 members.	The Remuneration Committee presently consists of two independent non-executive director, being Mr. Ouyang Cong and Mr. Yan Wang, and one executive director Mr. Libin Sun. Mr. Yan Wang is the chair of the committee.	Not applicable.

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
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8	Remunerate reasonably and fairly (Continued)		
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>The remuneration of executive directors and senior executives are clearly distinguished in the annual report. Details of the Committee members are set out on page 17 in this report.</p> <p><i>Executive's remuneration</i></p> <p>Remuneration packages may contain any or all of the following:</p> <ul style="list-style-type: none"> • annual salary based on the relevant market; • ad hoc rewards, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution; • a lump sum payment related to achievement of identified business drivers and personal key performance indicators measured over a year; and • other benefits such as holidays, sickness benefits, superannuation payments. <p>The Remuneration Committee reviews the remuneration of executives every year and consider individual performance, comparative remuneration in the market and where appropriate, external advice. The Committee provides this information together with a recommendation to the Board for consideration.</p>	Not applicable.

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

No.	ASX Key Governance Principles	Compliance	Non-compliance
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8	Remunerate reasonably and fairly (Continued)		
8.3		<p><i>Director's remuneration</i></p> <p>Remuneration of the director is determined with regard to the Company's need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the marketplace. The Remuneration Committee may from time to time seek independent advice in relation to the remuneration of Board members and may make recommendations to members in relation to any total fee increase. The Board reviews directors' remuneration on annual basis.</p> <p>From time to time, the Board may ask individual director to devote extra time or to undertake extra duties. Directors who undertake these tasks at the Board's direction may receive extra amounts. Directors are also reimbursed for expenses associated with undertaking their duties.</p>	
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The Company will provide and explanation of departures (if any) from the Key Principles recommendations 8.1 - 8.3 in its future annual reports.	Not applicable.

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Nomination Committee

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

Mr. Yan Wang
Mr. Libin Sun

Audit Committee

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

Mr. Ouyang Cong
Mr. Yan Wang

Corporate Governance Committee

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

Mr. Yan Wang
Mr. Libin Sun

Remuneration Committee

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

Mr. Ouyang Cong
Mr. Yan Wang
Mr. Libin Sun

VIAGOLD CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Directors' emoluments

For the year ended 31 March 2017, the annual directors' remuneration are as follows:

Name of directors	Amount A\$'000
Dr. Longguang Shi	124
Ms. Mulei Shi*	74
Mr. King Choi Leung	86
Mr. Yan Wang	-
Mr. Libin Sun	41
Mr. Ouyang Cong	-

- * Ms. Mulei Shi is one of the six on the Board in accordance to the Recommendation 3.3 in the Corporate Governance Report.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT

The directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND BUSINESS ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in investment holdings, leasing and capital financing, mineral trading business as well as consultancy and management services to educational institutions. Moreover in May 2016, the Company has completed the acquisition of a company and its subsidiaries which are principally engaged in the rare earths industry. Details of the Company's subsidiaries are set out in note 31 to the consolidated financial statements.

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

DIRECTORS

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

Executive directors:

Ms. Mulei Shi (Chief Executive Officer)
Mr. King Choi Leung
Mr. Libin Sun

Non-executive directors:

Dr. Longguang Shi (Chairman)

Independent non-executive directors:

Mr. Yan Wang
Mr. Ouyang Cong

In accordance with Article 19.1 of the Company's Bye-Laws, Dr. Longguang Shi, Mr. King Choi Leung and Mr. Libin Sun retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

VIAGOLD - MANAGEMENT TEAM

Chairman and Non-Executive Director - Dr. Longguang Shi

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

CEO and Executive Director- Ms. Mulei Shi

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

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

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

Executive Director - Mr. Libin Sun

Mr. Libin Sun, age 33, holds an undergraduate degree of the Donbei University of Finance and Economics. He has ample experience in mining industry and is currently the executive director and chief operation officer of Maoming Jingshen Mining Company Limited, a subsidiary of Rising Nonferrous Metals Company Limited which is listed in Shanghai Stock Exchange (Code: 600259).

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

VIAGOLD - MANAGEMENT TEAM (Continued)

Independent Non-Executive Director - Mr. Yan Wang

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

Independent Non-Executive Director - Mr. Ouyang Cong

Mr. Ouyang, Cong was appointed as Independent Non-executive Director of the Company in 21 July 2014. Mr. Ouyang holds a Bachelor degree of Accounting from the Jinan University, Guangzhou who is a professional Accountant. Prior to joining the Company, Mr. Ouyang is the Executive Director of Zhuhai Shing Ming International Investment and Management Co. Limited. Mr. Ouyang has 27 years ample experience in investment and finance management. He has held executive management positions in banks in Zhuhai, China and has considerable experience in banking and corporate finance.

COMPANY SECRETARY

Mr. King Choi Leung (see Biographical Details of Directors on page 20 of this report)

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

MEETINGS OF DIRECTORS

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

Directors	Held	Attended
Dr. Longguang Shi	11	7
Ms. Mulei Shi	11	7
Mr. King Choi Leung	11	7
Mr. Yan Wang	11	7
Mr. Libin Sun	11	6
Mr. Ouyang Cong	11	5

RESULTS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 36 and 37. The directors do not recommend the payment of a dividend.

FIXED ASSETS

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

SHARE CAPITAL

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year, the Company has increased the authorized capital from A\$10,000,000 to A\$20,000,000 by the creation of an additional 50,000,000 shares of par value of A\$0.20 ranking pari passu with the existing shares of the Company.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No matter or circumstance has arisen since March 31, 2017 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the coming financial year.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

(i) Shares

At 31 March 2017, the interests of the Company's directors and their associates in the issued share capital are as follows:

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

Note:

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

(ii) Share options

Employee share option scheme

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

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

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

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

The employee means:

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

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

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

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

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

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

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

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

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

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

Movements in the share options granted are set out below:

Eligible person	Balance as at 1 April 2016	Number of underlying shares				Exercise price per share \$A	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
Employees	130,000	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Consultants	1,218,792	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Consultants	4,500,000	-	-	-	-	1	01/11/2012	08/04/2018 01/11/2012- 01/11/2017
Former directors								
Mr. Jack Chik Ming Chu	100,000	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Mr. Pierre Seligman	100,000	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Mr. William Kam Bui Tam	50,000	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Mr. Cheong Sao Tai	50,000	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Mr. Henry Chang Manayan	50,000	-	-	-	-	2	17/12/2008	08/04/2018 17/12/2008- 16/12/2018
Mr. James Anthony Wigginton	50,000	-	-	-	-	2	19/12/2007	08/04/2008- 08/04/2018
Total	6,248,792	-	-	-	-	-	-	6,248,792

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

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

(ii) Share options (Continued)

Employee share option scheme (Continued)

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

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

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

Consultant is classified as employee under the New Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 28 to the consolidated financial statements, no other contract of significance in relation to the Group's business to which the Company, its ultimate holding company, or any of its subsidiaries or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

VIAGOLD CAPITAL LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' BENEFITS

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

On behalf of the Board



Dr. Longguang Shi
Director

26 May 2017

VIAGOLD CAPITAL LIMITED

DIRECTORS' DECLARATION

The directors of the Company declare that, for the year ended 31 March 2017:

- 1 The attached consolidated financial statements and notes thereto as set out on pages 36 to 95:
 - (a) comply with the International Financial Reporting Standards; and
 - (b) present fairly of the Group's financial position as at 31 March 2017 and of its performance for the financial year then ended.
- 2 In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mulei Shi
Director

26 May 2017



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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of VIAGOLD CAPITAL LIMITED (the "Company") and its subsidiaries ("the Group") set out on pages 36 to 95, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

Key Audit Matters

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

Key Audit Matter

How the matter was addressed in our audit

Acquisition of subsidiaries

Refer to note 30 in the consolidated financial statements

<p>During the year ended 31 March 2017, the Group acquired 100% equity interest in Polygoal Capital Limited which indirectly hold 51% equity interest of ShenZhen Xunda Investment Company Limited ("Xunda") for a consideration of approximately A\$15.93 million by issuance of 9,000,000 shares of the Company. Xunda is an investment holding company.</p> <p>Xunda controls Jintan Hailin Rare Earth Company Limited. ("Jintan") which principally engages in zirconium and titanium beneficiation, further processing and the recycling of rare earths from monazite through a series of contractual agreements with the registered owners of Jintan and enjoys 60% economic interest of Jintan.</p> <p>Significant judgement has been exercised by management in establishing the initial estimates of the fair values of the identifiable assets acquired and liabilities assumed together with the goodwill arising on acquisition in preparing their purchase price allocation. The Group engaged an independent external valuer to assist in the valuation of the goodwill arising.</p>	<p>Our procedures in relation to the acquisitions included:</p> <ul style="list-style-type: none"> - obtaining and reviewing the terms of agreements entered into between the Group and the registered owners of Jintan, and assessing whether the control is obtained by the Group; - evaluation of the independent external valuers' competence, capabilities and objectivity; - reviewing the appropriateness of the acquisition accounting applied, including the timing at which control was deemed to have passed; - reviewing and considering the appropriateness of the fair values ascribed to assets and liabilities of the acquired business; and - challenging the assumptions in the valuation report supporting goodwill with the independent external valuer. <p>We also considered the adequacy of the related disclosures in the notes to the consolidated financial statements.</p>
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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

<u>Key Audit Matter</u>	<u>How the matter was addressed in our audit</u>
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Goodwill

Refer to note 16 in the consolidated financial statements

<p>The Group has goodwill of A\$2.8 million relating to the acquisitions of subsidiaries during the year.</p> <p>On an annual basis, management are required to perform an impairment assessment for goodwill, this assessment involves significant management judgment in the application of valuation models and assumptions.</p> <p>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.</p> <p>Management has concluded that there is no impairment in respect of the goodwill. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.</p>	<p>Our procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none">- evaluation of the independent external valuers' competence, capabilities and objectivity;- assessing the valuation methodology in the valuation report supporting goodwill with the independent external valuer;- challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and- reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.
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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

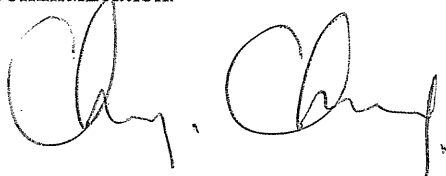
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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



CHENG & CHENG LIMITED
Certified Public Accountants

Hong Kong, 26 May 2017

Chan Shek Chi
Practising Certificate number P05540

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS **For the year ended 31 March 2017**

	Note	2017 A\$'000	2016 A\$'000
Turnover	5	41,213	816
Cost of services and sales		<u>(37,953)</u>	<u>(657)</u>
Gross profit		3,260	159
Other income	6	402	210
Administrative expenses		(3,497)	(1,482)
Impairment loss on trade and other receivables		-	(89)
Share of result of an associate		(30)	-
Other operating income		-	6
Finance costs	7	<u>(819)</u>	<u>(2)</u>
Loss before income tax	8	(684)	(1,198)
Income tax expenses	11	<u>(102)</u>	<u>-</u>
Loss for the year		<u><u>(786)</u></u>	<u><u>(1,198)</u></u>
Attributable to:			
Equity holders of the Company		(1,112)	(1,214)
Non-controlling interests		<u>326</u>	<u>16</u>
		<u><u>(786)</u></u>	<u><u>(1,198)</u></u>
Loss per share attributable to the equity holders of the Company	13		
- Basic		<u>(A\$0.03)</u>	<u>(A\$0.04)</u>
- Diluted		<u><u>(A\$0.03)</u></u>	<u><u>(A\$0.04)</u></u>

The notes on pages 42 to 95 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	2016
	A\$'000	A\$'000
Loss for the year	(786)	(1,198)
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
- Financial statements of overseas subsidiaries	<u>(3,539)</u>	<u>(69)</u>
Total comprehensive loss for the year	<u><u>(4,325)</u></u>	<u><u>(1,267)</u></u>
Total comprehensive loss attributable to:		
Equity shareholders of the Company	(550)	(1,251)
Non-controlling interests	<u>(3,775)</u>	<u>(16)</u>
	<u><u>(4,325)</u></u>	<u><u>(1,267)</u></u>

The notes on pages 42 to 95 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 A\$'000	2016 A\$'000
ASSETS			
Non-current assets			
Fixed assets	14		
- Investment property		525	599
- Plant and equipment		8,265	896
Land use rights	15	4,206	-
Interests in an associate	25	465	-
Goodwill	16	2,778	-
Available-for-sale financial assets	17	1,614	-
		<u>17,853</u>	<u>1,495</u>
Current assets			
Trade and other receivables	18	19,988	230
Inventories	19	65,005	-
Pledged bank deposits	20	562	-
Cash and cash equivalents	21	1,374	1,109
		<u>86,929</u>	<u>1,339</u>
Total assets		<u><u>104,782</u></u>	<u><u>2,834</u></u>

The notes on pages 42 to 95 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2017

	Note	2017 A\$'000	2016 A\$'000
CAPITAL AND RESERVES			
Equity			
Share capital	22	8,031	6,231
Reserves		<u>8,416</u>	<u>(5,164)</u>
Capital and reserves attributable to the owners of the Company		16,447	1,067
Non-controlling interests		<u>32,343</u>	<u>510</u>
Total equity		48,790	1,577
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	24	<u>11,578</u>	<u>-</u>
Current liabilities			
Trade and other payables	26	44,383	1,257
Tax payable		<u>31</u>	<u>-</u>
		<u>44,414</u>	<u>1,257</u>
Net current assets		<u>42,515</u>	<u>82</u>
Total equity and liabilities		<u>104,782</u>	<u>2,834</u>



Longguang Shi
Director



Mulei Shi
Director

The notes on pages 42 to 95 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to equity holders of the Company									
	Share capital AS'000	Share premium AS'000	Translation reserve AS'000	Contributed surplus AS'000	Warrant reserve AS'000	Share-based compensation reserve AS'000	Accumulated losses AS'000	Total AS'000	Non-controlling interests AS'000	Total equity AS'000
As at 1 April 2015	6,131	29,020	(28,311)	47,645	915	7,221	(61,223)	1,398	526	1,924
- Total comprehensive loss for the year	-	-	(37)	-	-	-	(1,214)	(1,251)	(16)	(1,267)
Transactions with owners in their capacity	6,131	29,020	(28,348)	47,645	915	7,221	(62,437)	147	510	657
- Issuance by exercise of warrants during the year	100	295	-	-	(40)	-	-	355	-	355
- Issuance of warrants during the year	-	-	-	-	565	-	-	565	-	565
- Transfer of share-based compensation reserve upon lapse of share options	-	-	-	-	-	(4,272)	4,272	-	-	-
As at 31 March 2016	6,231	29,315	(28,348)	47,645	1,440	2,949	(58,165)	1,067	510	1,577
As at 1 April 2016	6,231	29,315	(28,348)	47,645	1,440	2,949	(58,165)	1,067	510	1,577
- Total comprehensive income/(loss) for the year	-	-	562	-	-	-	(1,112)	(550)	(3,775)	(4,325)
Transactions with owners in their capacity	6,231	29,315	(27,786)	47,645	1,440	2,949	(59,277)	517	(3,265)	(2,748)
- Issuance of new shares	1,800	14,130	-	-	-	-	-	15,930	-	15,930
- Increase in NCI as a result of acquisition	-	-	-	-	-	-	-	-	35,608	35,608
As at 31 March 2017	8,031	43,445	(27,786)	47,645	1,440	2,949	(59,277)	16,447	32,343	48,790

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

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

The notes on pages 42 to 95 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 A\$'000	2016 A\$'000
Operating activities			
Net cash generated from/(used in) operating activities	27	<u>21,634</u>	<u>(112)</u>
Investing activities			
Acquisition of fixed assets	14	(1,025)	(491)
Net cash inflow from acquisition of subsidiaries		1,025	-
Purchase of available-for-sale financial assets		(1,614)	-
Proceeds from disposal of plant and equipment		759	509
Interest received		<u>20</u>	<u>1</u>
Net cash (used in)/generated from investing activities		<u>(835)</u>	<u>19</u>
Financing activities			
Interest paid		(819)	(2)
Net decrease of pledged fixed deposits		1,369	-
Repayment of bank loans		(18,234)	-
Proceeds from issuance of new shares		-	355
Proceeds from issuance of warrants		<u>-</u>	<u>565</u>
Net cash (used in)/generated from financing activities		<u>(17,684)</u>	<u>918</u>
Net increase in cash and cash equivalents		3,115	825
Cash and cash equivalents at the beginning of the year		1,109	271
Effect of foreign exchange rate change, net		<u>(2,850)</u>	<u>13</u>
Cash and cash equivalents at the end of the year	21	<u><u>1,374</u></u>	<u><u>1,109</u></u>

The notes on pages 42 to 95 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. General information

ViaGOLD Capital Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Australian Securities Exchange Limited (the "ASX"). The addresses of the registered office and principal place of business of the Company are disclosed on page 98.

The Company and its subsidiaries (together the "Group") are principally engaged in investment holding, assets leasing and capital financing, minerals trading and consultancy and management services to educational institutions. Moreover in May 2016, the Company has completed the acquisition of a company and its subsidiaries which are principally engaged in rare earths processing and refinery. Details of the activities of the Company's principal subsidiaries are set out in note 31.

These consolidated financial statements are presented in units of Australian Dollars (A\$), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 26 May 2017.

2. Significant accounting policies

2.1. Basis of preparation of financial statements

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs

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

Amendments to IAS 1	Disclosure initiative
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
Amendments to IAS 27	Equity method in separate financial statements
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations

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

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

IFRS 9	Financial instruments ¹
IFRS 15	Revenue from contracts with customers ¹
IFRS 16	Leases ²
Amendments to IFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to IAS 7	Disclosure initiative ⁴
Amendments to IAS 12	Recognition of deferred tax assets for unrealised leases ⁴
Amendments to IFRSs	Annual improvements to IFRSs 2014-2016 cycle ⁵

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

IFRS 17	Insurance contracts ⁶
IFRIC 22	Foreign currency transactions and advance consideration ¹
Amendments to IAS 40	Transfers of investment property ¹

- ¹ Effective for annual periods beginning on or after 1 January 2018.
- ² Effective for annual periods beginning on or after 1 January 2019.
- ³ Effective for annual periods beginning on or after a date to be determined.
- ⁴ Effective for annual periods beginning on or after 1 January 2017.
- ⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
- ⁶ Effective for annual periods beginning on or after 1 January 2021.

IFRS 9 "Financial instruments"

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

IFRS 9 "Financial instruments" (Continued)

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

Application of IFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 16 "Leases"

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Application of new and revised IFRSs (Continued)

IFRS 16 "Leases" (Continued)

Application of IFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As at 31 March 2017, the Group has non-cancellable operating lease commitments of A\$503,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

2. Significant accounting policies (Continued)

2.2. Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March 2017.

Subsidiaries

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.2. Consolidation (Continued)

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

Transactions and non-controlling interests

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

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

2.3. Associates

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.3. Associates (Continued)

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

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

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

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

2.4. Goodwill

Goodwill represents the excess of

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.4. Goodwill (Continued)

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

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

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

2.5. Segment reporting

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

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

2.6. Foreign currency translation

Functional and presentation currency

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.6. Foreign currency translation (Continued)

Transactions and balances

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

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

Group companies

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.7. Revenue recognition

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

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

Provision of management and consulting services to educational institutions

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

Minerals trading / rare earth refining and separation

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

Interest income

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

Dividend income

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

Lease income

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

2. Significant accounting policies (Continued)

2.8. Leases

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

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

2.9. Fixed assets

Investment property

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

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

Investment property	20 years
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An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Other property, plant and equipment

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.9. Fixed assets (Continued)

Other property, plant and equipment (Continued)

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

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

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

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

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

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

2.10. Impairment of non-financial assets

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.11. Financial assets

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

Recognition and measurement

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.11. Financial assets (Continued)

Offsetting financial instruments

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

Impairment of financial assets carried at amortised cost

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

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.11. Financial assets (Continued)

Impairment of assets classified as available-for-sale

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

2.12. Trade and other receivables

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

2.13. Cash and cash equivalents

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

2.14. Share capital

Ordinary shares are classified as equity.

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

2.15. Inventories

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.15. Inventories (Continued)

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

2.16. Trade and other payables

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

2.17. Current and deferred income tax

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

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.17. Current and deferred income tax (Continued)

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

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

2.18. Employee benefits

Employee leave entitlement

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

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

Pension obligations

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

2. Significant accounting policies (Continued)

2.18. Employee benefits (Continued)

Share-based compensation

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

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

2.19. Provisions and contingent liabilities

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

2. Significant accounting policies (Continued)

2.20. Borrowings

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

2.21. Related parties

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

3. Financial risk management

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

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

3.1. Market risk

i. Foreign exchange risk

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

ii. Cash flow and fair value interest rate risk

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

3.2. Credit risk

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

3. Financial risk management (Continued)

3.2. Credit risk (Continued)

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

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

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

3.3. Liquidity risk

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

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

	Carrying amount AS'000	On demand AS'000	Less than 1 year AS'000
As at 31 March 2017			
Payable and accrued charges	10,028	-	10,028
Amounts due to key management personnel	10,680	10,680	-
Amounts due to related companies	23,174	23,174	-
Total	43,882	33,854	10,028
	Carrying amount AS'000	On demand AS'000	Less than 1 year AS'000
As at 31 March 2016			
Payable and accrued charges	1,007	-	1,007
Amounts due to key management personnel	250	250	-
Total	1,257	250	1,007

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

3. Financial risk management (Continued)

3.4. Capital risk management

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

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

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

The Company also endeavours to ensure the steady and reliable cash flow from the normal business operation. For both years, the Group did not raise any debts.

3.5. Fair value estimation

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

4. Critical accounting estimates and judgments

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

Estimated impairment of trade and other receivables

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

Valuation of inventories

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

Accounting for companies governed under contractual arrangements as subsidiaries

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

4. Critical accounting estimates and judgments (Continued)

Income taxes

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

Useful lives of property, plant and equipment

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

Impairment of goodwill

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

5. Segment information

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

- Investment holdings and administration
- Rare earth refining and separation
- Trading of minerals
- Leasing and capital financing
- Provision of consultancy and management services to educational institutions

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

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

The management assesses the performance of the operating segments based on the profit/loss for the period. This measurement basis excludes intra-group transactions and gain/loss of disposal of subsidiaries.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. Segment information

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

	Investment holding and administration A\$'000	Trading of minerals A\$'000	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Consolidated A\$'000
Segment revenue	-	-	383	321	40,509	41,213
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	-	-	383	321	40,509	41,213
Reportable segment (loss)/profit before income tax	(920)	(14)	(54)	(350)	654	(684)
Depreciation	-	-	(48)	(7)	(1,239)	(1,294)
Amortisation of land use rights	-	-	-	-	(60)	(60)
Interest income	-	-	2	-	18	20
Finance costs	-	-	-	-	(819)	(819)
Gain on disposal of plant and equipment	-	-	31	-	278	309
As at 31 March 2017						
Total assets	3,703	84	1,950	139	99,154	105,030
Non-current assets						
(Other than financial instruments and deferred tax assets)	3,243	-	730	101	12,165	16,239
Additions to non-current assets						
(Other than financial instruments and deferred tax assets)	-	-	25	2	998	1,025
Interest in associates	-	-	-	-	465	465
Total liabilities	1,423	10	68	765	53,726	55,992

The Group's customer base includes two (2016: four) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to A\$16,542,000 and A\$10,118,000 each which related to rare earth refining and separation segment (2016: A\$363,000 and A\$104,000 each related to leasing and capital financing and A\$142,000 and A\$142,000 each related to provision of consultancy and management services to educational institutions).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2017

5. Segment information (Continued)

The segment information for the reporting segments for the year ended 31 March 2016 is as follows:

	Investment holding and administration A\$'000	Trading of minerals A\$'000	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Consolidated A\$'000
Segment revenue	-	-	493	323	816
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	-	-	493	323	816
Reportable segment (loss)/profit before income tax	(789)	(42)	53	(420)	(1,198)
Depreciation	-	-	(323)	(7)	(330)
Impairment loss on trade and other receivables	(89)	-	-	-	(89)
Interest income	-	-	1	-	1
As at 31 March 2016					
Total assets	499	5	2,162	168	2,834
Non-current assets					
(Other than financial instruments and deferred tax assets)	-	-	1,383	112	1,495
Additions to non-current assets					
(Other than financial instruments and deferred tax assets)	-	-	491	-	491
Total liabilities	684	2	94	477	1,257

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

6. Other income

	2017 A\$'000	2016 A\$'000
Bank interest income	20	1
Gain on disposal of fixed assets	309	202
Sundry income	73	7
	<u>402</u>	<u>210</u>

7. Finance costs

	2017 A\$'000	2016 A\$'000
Interest expenses:		
- bank borrowings	819	-
- other borrowings	-	2
	<u>819</u>	<u>2</u>

8. Loss before income tax

	2017 A\$'000	2016 A\$'000
Loss before income tax is arrived at:		
After crediting the following items:		
Bank interest income	20	1
Gain on disposal of fixed assets	309	202
Sundry income	<u>73</u>	<u>7</u>
And after charging the following items:		
Auditor's remuneration		
- Audit and review service	175	146
- Other services	-	215
Amortisation of land use rights (Note 15)	60	-
Depreciation of fixed assets (Note 14)	1,294	330
Directors' remuneration (Note 9)	<u>325</u>	<u>156</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

8. Loss before income tax (Continued)

	2017 AS'000	2016 AS'000
And after charging the following items (Continued):		
Employee benefit expense (excluding director's remuneration) (Note 10)	855	541
Impairment loss on trade and other receivables	-	89
Operating lease rentals in respect of rental premises and equipment	283	305
Cost of inventories sold	<u>37,419</u>	<u>-</u>

9. Directors' and senior management's emoluments

	2017 AS'000	2016 AS'000
Directors' remuneration		
- fees	311	143
- salaries, allowances and benefits in kind	<u>14</u>	<u>13</u>
	<u>325</u>	<u>156</u>

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the year ended 31 March 2017

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

The remuneration of each director and an executive for the year ended 31 March 2016 is set out below:

	Fees AS'000	Salaries, allowances and benefits in kind AS'000	Total AS'000
Directors			
Dr. Longguang Shi	-	-	-
Ms. Mulei Shi	79	-	79
Mr. King Choi Leung	64	13	77
Mr. Yan Wang	-	-	-
Mr. Libin Sun	-	-	-
Mr. Ouyang Cong	-	-	-
	<u>143</u>	<u>13</u>	<u>156</u>
Executive			
Mr. Kenneth Kwing Chuen Tang (Resigned on 7 August 2015)	-	1	1
Mr. King Choi Leung (Appointed on 7 August 2015)	-	9	9
	<u>-</u>	<u>10</u>	<u>10</u>

10. Employee benefit expenses

	2017 AS'000	2016 AS'000
Wages and salaries	629	469
Social insurance	72	57
Other staff benefits	154	15
	<u>855</u>	<u>541</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

11. Income tax expenses

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

During the year, no Hong Kong profits tax is arrived at 16.5% on the estimated assessable profits for the year (2016: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the Mainland China in which the Group operates.

	2017	2016
	A\$'000	A\$'000
Current	40	-
Deferred	62	-
	<u>102</u>	<u>-</u>

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the years ended 31 March 2017 and 2016.

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

	2017	2016
	A\$'000	A\$'000
Loss before income tax	<u>(684)</u>	<u>(1,198)</u>
Notional tax on loss calculated at the rates applicable to profits in the jurisdiction concerned	(99)	(196)
Tax effect of:		
Unrecognised deferred tax arising from temporary difference	62	-
Expenses not deductible for tax purposes	79	104
Share of results of associate	8	-
Tax effect of unused tax losses not recognised	<u>52</u>	<u>92</u>
Income tax expense	<u>102</u>	<u>-</u>

There was no tax charge relating to components of other comprehensive income for the year (2016: Nil).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

12. Employee share option scheme

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

On 19 December 2007, share options were granted to certain employees and directors of the Group pursuant to the Group's New Scheme. Share options with rights to subscribe for a total of 1,898,792 shares (a total of current outstanding 1,348,792 shares as at 31 March 2017) were granted to certain employees with an exercise price at A\$2.00 per share on 19 December 2007. The share options can be exercised from 8 April 2008 and expire on 8 April 2018.

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

No share options were granted and exercised during the year ended 31 March 2017.

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

	Weighted average exercise price per share (A\$)	Number of underlying shares
As at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	<u>1.28</u>	<u>6,248,792</u>

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

Expiry date	Exercise price per share (A\$)	2017 Number of underlying shares	2016 Number of underlying shares
8 April 2018	2.00	1,748,792	1,748,792
1 November 2017	1.00	4,500,000	4,500,000
		<u>6,248,792</u>	<u>6,248,792</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

13. Loss per share

13.1. Basic

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

	2017	2016
Loss attributable to equity holders of the Company (A\$'000)	<u>(1,112)</u>	<u>(1,214)</u>
Weighted average number of ordinary shares in issue ('000)	<u>38,775</u>	<u>30,777</u>
Basic loss per share (A\$ per share)	<u>(0.03)</u>	<u>(0.04)</u>

13.2. Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two category of dilutive potential ordinary shares: share options and warrants. For the share options/warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options/warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the share options/warrants were exercised.

	2017	2016
Loss attributable to equity holders of the Company (A\$'000)	<u>(1,112)</u>	<u>(1,214)</u>
Weighted average number of ordinary shares for diluted loss per share ('000)	<u>38,775</u>	<u>30,777</u>
Diluted loss per share (A\$ per share)	<u>(0.03)</u>	<u>(0.04)</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 March 2017

14. Fixed assets

Cost	Motor vehicles A\$'000	Leaschold improvements A\$'000	Furniture and equipment A\$'000	Plant and Machinery A\$'000	Building A\$'000	Sub-total A\$'000	Investment property A\$'000	Total A\$'000
As at 1 April 2015	1,930	128	4	-	-	2,062	839	2,901
Additions	491	-	-	-	-	491	-	491
Disposals	(1,145)	-	-	-	-	(1,145)	-	(1,145)
Exchange realignment	(93)	(6)	-	-	-	(99)	(39)	(138)
As at 31 March 2016	1,183	122	4	-	-	1,309	800	2,109
Acquisition of a subsidiary	603	1,688	83	2,885	3,809	9,068	-	9,068
Additions	233	351	10	253	178	1,025	-	1,025
Disposals	(646)	-	(1)	(10)	-	(657)	-	(657)
Exchange realignment	(146)	(206)	(11)	(338)	(432)	(1,133)	(51)	(1,184)
As at 31 March 2017	1,227	1,955	85	2,790	3,555	9,612	749	10,361
Accumulated depreciation								
As at 1 April 2015	1,002	6	-	-	-	1,008	170	1,178
Depreciation	284	6	1	-	-	291	39	330
Written back on disposals	(838)	-	-	-	-	(838)	-	(838)
Exchange realignment	(48)	-	-	-	-	(48)	(8)	(56)
As at 31 March 2016	400	12	1	-	-	413	201	614
Depreciation	437	117	30	480	195	1,259	35	1,294
Eliminated on disposal	(276)	-	(1)	(5)	-	(282)	-	(282)
Exchange realignment	(26)	(1)	-	-	(16)	(43)	(12)	(55)
As at 31 March 2017	535	128	30	475	179	1,347	224	1,571
Net carrying amounts								
As at 31 March 2017	692	1,827	55	2,315	3,376	8,265	525	8,790
As at 31 March 2016	783	110	3	-	-	896	599	1,495

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

14. Fixed assets (Continued)

The investment property and building are located in the PRC.

The category of motor vehicles leased by the Group to third parties under operating leases with the following carrying amounts:

	2017	2016
	AS'000	AS'000
Cost	510	1,072
Accumulated depreciation at beginning of the year	(399)	(911)
Depreciation charge for the year	(185)	(275)
Eliminated on disposal	253	838
Exchange realignment	25	43
Net book amount at end of the year	<u>204</u>	<u>767</u>

15. Land use rights

	AS'000
Cost	
At 1 April 2016	-
Acquisition of subsidiaries	4,694
Exchange realignment	(428)
At 31 March 2017	<u>4,266</u>
Deduct: Accumulated amortization and impairment losses	
At 1 April 2016	-
Charged for the year	60
As at 31 March 2017	<u>60</u>
Net book values	
At 31 March 2017	<u>4,206</u>
At 31 March 2016	<u>-</u>

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

16. Goodwill

	2017	2016
	AS'000	AS'000
At beginning of the year	-	-
Arising from acquisition of subsidiaries	2,939	-
Exchange realignment	(161)	-
At end of the year	<u>2,778</u>	<u>-</u>

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

Impairment testing of goodwill

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

17. Available-for-sales financial assets

	2017	2016
	AS'000	AS'000
Available-for-sales financial assets		
- unlisted equity shares	<u>1,614</u>	<u>-</u>

Available-for-sales financial assets represents 2,989,917 ordinary shares in Jiangsu Jiangnan Rural Commercial Bank Company Limited.

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

18. Trade and other receivables

	2017 A\$'000	2016 A\$'000
Trade receivables	6,741	48
Bills receivables	225	-
Less: Allowance account (note 18(a))	-	(22)
	<u>6,966</u>	<u>26</u>
Other receivables, deposits and prepayments	9,955	197
Amounts due from related parties	3,067	7
	<u><u>19,988</u></u>	<u><u>230</u></u>

Included in "Other receivables, deposits and prepayments", approximately A\$3,414,000 and A\$2,062,000 (2016: Nil and Nil) were prepayment for the construction cost of factory for rare earths production and prepayment to suppliers of rare earth production materials respectively.

(a) Impairment of trade debtors and bills receivable

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

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

	2017 A\$'000	2016 A\$'000
At beginning of the year	22	22
Uncollectible impaired debts written off	(22)	-
At end of the year	<u><u>-</u></u>	<u><u>22</u></u>

The impairment losses recognised were the uncollectible value added tax paid on behalf of Industrial & Trading Management Institute, Zhuhai, Institute of International Business and Economics, Zhuhai and International Business and Economics Training Center, Zhuhai.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

18. Trade and other receivables (Continued)

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

	2017	2016
	AS'000	AS'000
Neither past due nor impaired	<u>6,966</u>	<u>26</u>

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

As at 31 March 2017, no other receivables was impaired (2016: Nil).

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

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

19. Inventories

	2017	2016
	AS'000	AS'000
Raw materials	18,528	-
Work-in-progress	40,433	-
Finished goods	<u>6,044</u>	<u>-</u>
	<u>65,005</u>	<u>-</u>

20. Pledged bank deposits

As at 31 March 2017, the Group pledged approximately A\$562,000 bank deposits (31 March 2016: Nil), which is denominated in RMB, to bankers of the Group to secure the bill payables due within twelve months. The pledged bank deposits will be released upon the settlement of relevant bill payables.

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

21. Cash and cash equivalents

	2017 AS'000	2016 AS'000
Cash at bank and on hand	<u>1,374</u>	<u>1,109</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>1,374</u></u>	<u><u>1,109</u></u>

22. Share capital

	Number of shares '000	Ordinary shares AS'000
Issued and fully paid		
As at 1 April 2015	30,656	6,131
Issuance by exercise of warrants	<u>500</u>	<u>100</u>
As at 31 March 2016 and 1 April 2016	31,156	6,231
Issuance of new shares for acquisition of subsidiaries	<u>9,000</u>	<u>1,800</u>
As at 31 March 2017	<u><u>40,156</u></u>	<u><u>8,031</u></u>

The total authorised number of ordinary shares is 100 million shares (2016: 50 million shares) with a par value of Australian twenty cents per share (2016: Australian twenty cents per share).

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

23. Warrant reserve

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

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

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

23. Warrant reserve (Continued)

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

	Weighted average exercise price per share A\$	Number of underlying shares
As at 1 April 2015	0.45	16,000,000
Granted	0.44	12,000,000
Exercised	0.71	(500,000)
As at 31 March 2016, 1 April 2016 and 31 March 2017	0.44	<u>27,500,000</u>

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

Expiry date	Exercise price per share A\$	2017 Number of underlying shares	2016 Number of underlying shares
30 November 2017	0.71	4,500,000	4,500,000
16 December 2018	0.26	5,000,000	5,000,000
6 November 2019	0.40	6,000,000	6,000,000
3 December 2020	0.44	<u>12,000,000</u>	<u>12,000,000</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

24. Deferred tax liabilities

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

	Fair value adjustments on acquisition of subsidiaries A\$'000
As at 31 March 2016 and 1 April 2016	-
Arising from acquisition of subsidiaries	12,591
Exchange realignment	(1,013)
As at 31 March 2017	<u>11,578</u>

The Group has tax losses arising from operations in Mainland China of approximately A\$484,000 (2016: A\$359,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At the end of the reporting period, undistributed profits of subsidiaries amounted to approximately A\$14,445,000 (2016: Nil). Withholding tax resulting from the distribution of such profits would amount approximately to A\$1,444,500 (2016: Nil) if they are distributed to holding companies/shareholders outside of PRC. However, no deferred tax liabilities have been recognised in this respect as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25. Interests in an associate

	2017 A'000	2016 A'000
At beginning of the year	-	-
Addition through acquisition of subsidiaries	550	-
Share of post-acquisition results	(30)	-
Exchange realignment	(55)	-
At end of the year	<u>465</u>	<u>-</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

25. Interests in an associate (Continued)

At 31 March 2017, the Group has interest in the following associate:

Name of associate	Place of establishment and operations	Registered capital	Percentage of equity attributable to the Group
Maoming Jinsheng Minerals Company Limited	PRC	RMB 9.6m	25.50%

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

	2017 A'000	2016 A'000
Loss attributable to owners of the Company	<u>(30)</u>	<u>-</u>

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

26. Trade and other payables

	2017	2016
	A\$'000	A\$'000
Trade payables and bill payables	8,123	-
Other payables and accrued charges	1,905	1,007
Receipt in advance	501	-
Amounts due to key management personnel	10,680	250
Amounts due to related companies	23,174	-
	<u>44,383</u>	<u>1,257</u>

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

27. Net cash generated from/(used in) operating activities

	Note	2017 A\$'000	2016 A\$'000
Loss before income tax		(684)	(1,198)
Adjustments for:			
- Amortization of land use rights	15	60	-
- Depreciation of fixed assets	14	1,294	330
- Gain on disposal of fixed assets		(309)	(202)
- Share of result of associate	25	30	-
- Interest income	6	(20)	(1)
- Interest expenses	7	819	2
Changes in working capital:			
- Trade and other receivables		(645)	695
- Trade and other payables		13,294	262
- Inventories		7,926	-
Tax paid		(131)	-
Net cash generated from/(used in) operating activities		<u>21,634</u>	<u>(112)</u>

28. Related-party transactions

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

		2017 A\$'000	2016 A\$'000
Related parties	Nature of transactions		
Related companies	Consultancy and management services income	314	323
	Trade receivables	-	26
	Amounts due from related companies	3,067	7
	Amounts due to related companies	(23,174)	-
	Amounts due to key management personnel	(10,680)	(250)
Directors of the Company	Key management compensation	<u>325</u>	<u>156</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

28. Related-party transactions (Continued)

Note:

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

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

29. Operating lease commitments

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

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

	2017	2016
	AS'000	AS'000
Leasehold land and buildings		
Not later than 1 year	232	258
Later than 1 year but not later than 5 years	271	559
	<u>503</u>	<u>817</u>

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

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

	2017	2016
	AS'000	AS'000
Motor vehicles		
Not later than 1 year	26	279
Later than 1 year but not later than 5 years	-	29
	<u>26</u>	<u>308</u>

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

29. Operating lease commitments (Continued)

(b) (Continued)

	2017	2016
	A\$'000	A\$'000
Property		
Not later than 1 year	51	54
Later than 1 year but not later than 5 years	107	232
	<u>158</u>	<u>286</u>

30. Acquisition of subsidiaries

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

30. Acquisition of subsidiaries (Continued)

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

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

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

30. Acquisition of subsidiaries (Continued)

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

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

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

31. Particulars of principal subsidiaries

Particulars of principal subsidiaries at 31 March 2017 were as follows:

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

31. Particulars of principal subsidiaries (Continued)

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

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **For the year ended 31 March 2017**

31. Particulars of principal subsidiaries (Continued)

Note:

* Wholly foreign-owned enterprises registered in the PRC

@ The English names are for identification purpose only

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights indirectly held by		Profit/(loss) allocated to NCI		Accumulated NCI	
		NCI					
		2017	2016	2017	2016	2017	2016
				AS'000	AS'000	AS'000	AS'000
Jintan Hailin Rare Earth Company Limited	PRC	69%	N/A	366	N/A	31,520	N/A
Individually immaterial subsidiaries with NCI				(40)	16	823	510
				326	16	32,343	510

VIAGOLD CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2017

31. Particulars of principal subsidiaries (Continued)

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

	2017
	A\$'000
<u>Jintan Hailin Rare Earth Company Limited</u>	
Non-current assets	13,780
Current assets	86,976
Current liabilities	(41,687)
Non-current liabilities	<u>(12,040)</u>
Turnover	40,509
Profit for the year	552
Total comprehensive loss for the year	<u>(851)</u>
Dividends paid to non-controlling interests	<u>-</u>
Net cash generated from operating activities	18,595
Net cash used in investing activities	(2,955)
Net cash used in financing activities	<u>(17,162)</u>

VIAGOLD CAPITAL LIMITED

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

1. The statement of interests in share capital as at 19 May 2017 is as follows:

a. Distribution of shareholdings:

Size of holding	No. of ordinary shareholders
1 - 1,000	455
1,001 - 5,000	37
5,001 - 10,000	8
10,001 - 100,000	18
100,001 - 999,999,999	18
1,000,000,000 - 9,999,999,999	-
	<u>536</u>

b. The name of the substantial shareholder and the number of securities held as at 19 May 2017 are:

Names	No. of ordinary shares held
Harvest Smart Overseas Limited	10,962,290
Capital Luck Group Limited	10,000,000
Mr. Zhou Halin	7,200,000
Pershing Australia Nominees Pty Limited	3,572,314
Mr. Liao Changyuan	1,800,000
	<u>33,534,604</u>

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

Names	No. of ordinary shares held	% of total issued of ordinary capital held
Harvest Smart Overseas Ltd	10,962,290	27.30%
Capital Luck Group Limited	10,000,000	24.90%
Mr Zhou Hailin	7,200,000	17.93%
Pershing Australia Nominees Pty Ltd	3,572,314	8.90%
Mr Liao Changyuan	1,800,000	4.48%
Mr Chen Wei Qing	1,235,862	3.08%
J P Morgan Nominees Australia Limited	1,216,500	3.03%

VIAGOLD CAPITAL LIMITED

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

1. The statement of interests in share capital as at 19 May 2017 is as follows (Continued):

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

Names	No. of ordinary shares held	% of total issued of ordinary capital held
HSBC Custody Nominees (Australia) Limited	644,433	1.60%
Citicorp Nominees Pty Limited	373,709	0.93%
Bnp Paribas Nominees Pty Ltd	336,459	0.84%
Mr Sio Kai Kuan	301,750	0.75%
Io Chong Leong	300,000	0.75%
Monex Boom Securities (HK) Ltd	292,485	0.73%
Bay Square Holdings Ltd	291,250	0.73%
Lanstone Investment Limited	225,000	0.56%
Chow Lai Wah	217,500	0.54%
Hainan Finance Limited	154,600	0.38%
Carleton Trading Ltd	105,175	0.26%
Fong Hong Kei	100,000	0.25%
Strong Assistance Inc	75,000	0.19%

d. Voting rights

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

2. Share options outstanding as at 19 May 2017

Total number of outstanding share options	6,248,792
Total number of option holders	<u>19</u>

3. The name of the Company Secretary

Mr. King Choi Leung

VIAGOLD CAPITAL LIMITED

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

4. Address and contact number:

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

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

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

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

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

a. Australia

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

b. Bermuda

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