

VIAGOLD CAPITAL LIMITED

(Incorporated in Bermuda with limited liability)

(ARBN: 070 352 500)

Preliminary Final Report
For the year ended 31 March 2019
ASX Appendix 4E

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.	Name of Entity ARBN: Financial year ended (reporting period) Financial year ended (previous corresponding period)	<div>VIAGOLD CAPITAL LIMITED 070 352 500 31 March 2019 31 March 2018</div>			
2.	Results for announcement to the market <i>(Amount and percentage change up or down from the previous corresponding period)</i>				
		<div>2019 A\$'000</div>	<div>2018 A\$'000</div>	<div>Change A\$'000</div>	<div>Change %</div>
2.1	Revenue from ordinary activities	27,397	35,597	(8,200)	-23%
2.2	Loss from ordinary activities after tax attributable to the equity holders of the Company	(2,898)	(1,126)	(1,772)	157%
2.3	Net loss for the reporting period attributable to the equity holders of the Company	(2,898)	(1,126)	(1,772)	157%
2.4	Dividends	Amount per security		Franked amount per security	
	Final dividend	Nil		N/A	
	Interim dividend	Nil		N/A	
	Previous corresponding period	Nil		N/A	
2.5	Record date for determining entitlements to the dividend	N/A			

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EXPLANATION OF RESULTS

I am pleased to present the 2018/2019 annual results of ViaGold Capital Limited ("VIA") and its subsidiaries collectively referred to as the "Group" and the outlook for 2019.

REVIEW

As all shareholders will be aware, the operating conditions were extremely challenging in the year under review. It was indeed the most challenging marketing environment the Group has experienced, in particular in the rare-earth refinery and processing sector. For the year ended 31 March 2019, the Group recorded a consolidated revenue of approximately AUD27,397,000 (period ended 31 March 2018: AUD35,597,000).

During the year under review, the education management sector recorded an increase in revenue of AUD408,000 (period ended 31 March 2018: AUD368,000), representing an increase of 10.9%, the Leasing and Capital sector recorded an increase in revenue of AUD360,000 as well (period ended 31 March 2018: AUD215,000), representing a sharp growth of 67.4%. However, they are offset by the decrease in revenue in the rare earth refining and separation sector for AUD26,629,000 (period ended 31 March 2018: AUD35,014,000), representing a decrease of 23.9%. The loss was attributable to the equity holder of the Group for the year ended 31 March 2019 was AUD2,898,000 (period ended 31 March 2018: AUD1,126,000).

GAIN AND LOSS

- (i) (1) The segment loss in rare earth refining and separation was AUD24,901,000 (2018: loss of AUD170,000) which was mainly attributed to (1) the complicated and ever-changing market environment challenging the rare earth sector and (2) an incident led by theft and illegal move by third party of the inventory at an external warehouse that itself led to a loss of AUD21,440,000. The rare-earth processing associate entity has already filed the incident with the local police in Changzhou and is going put the external warehouse owner into full responsibility to recover the loss of value of the inventory.
- (ii) The segment profit in education management was AUD126,000 (2018: profit of AUD8,000) which was mainly contributed to the followings:
 - a/ The increase of students enrolled in the new school premises which has harvested from the move consolidating the three school premises into one a year ago; and
 - b/ The continued enjoying of the cost effectiveness during the period by reduction in:
 - i/ Salaries for principals, vice principals and administrative staffs that have been reduced by 23.7%; and
 - ii/ Office rent in line with the reduction in staffs.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

EXPLANATION OF RESULTS (Continued)

GAIN AND LOSS (Continued)

- (iii) The segment loss in leasing and capital financing was AUD158,000 (2018: loss of AUD168,000). During the period ended 31 March 2019, the revenue increased to AUD360,000 (period ended 31 March 2018: AUD215,000).

As a result, although there was an increase in the segment profit of education management sector and the drop in the segment loss of the leasing and capital financing sector, the segment loss in the rare earth refining and separation sector has overwhelmed it. The management has incurred a sharp increase of 157.4% of consolidated loss as attributed to the equity holders of the Group.

PROSPECT

Looking ahead, the Group will focus on exploring the strategic mergers/acquisitions/joint venture opportunities to expand in rare-earth industry and complement our organic growth while planning to make endeavor to engage in rare-earth related high technologies development to strengthen the Group's competitive position. We have aligned with the main players in the industry in China and look forward to deepening our cooperation relationships which will better our portfolio while generating gains for the shareholders of the Group. Moreover, Rare earth has aroused attentions around the world recently which we believe will contribute to a better market demand and higher return in the near future.

The education management sector has been very stable and expected to continue to perform on a professional level while developing more programs. The group expects to maintain growth in the car leasing sector and our team in Beijing has been actively seeking for more long term leasing contracts to sustain a growth pattern.

APRPECIATION

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

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

OTHER INFORMATION

1. Net assets per security	Current Reporting Period	Previous Corresponding Period
Net assets backing per ordinary security	A\$0.56	A\$1.20

2. Dividends

There was no dividend paid or declared during the current year.

3. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

N/A

4. Details of associates and joint venture entities

For the year ended 31 March 2019, the Group only have interests in an associate and no joint venture entities.

VIAGOLD CAPITAL LIMITED

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	2019	2018
	A\$'000	A\$'000
Turnover	27,397	35,597
Cost of services and sales	<u>(28,446)</u>	<u>(33,390)</u>
Gross (loss)/profit	(1,049)	2,207
Other income	75	266
Administrative expenses	(2,970)	(3,349)
Write-off of inventories	(21,440)	-
Impairment loss on interest in an associate	-	(191)
Impairment loss on goodwill	(2,816)	-
Share of result of an associate	(149)	29
Finance costs	<u>(47)</u>	<u>(112)</u>
Loss before income tax	(28,396)	(1,150)
Income tax credit/(expenses)	<u>5,341</u>	<u>(203)</u>
Loss for the year	<u><u>(23,055)</u></u>	<u><u>(1,353)</u></u>
Attributable to:		
Equity holders of the Company	(2,898)	(1,126)
Non-controlling interests	<u>(20,157)</u>	<u>(227)</u>
	<u><u>(23,055)</u></u>	<u><u>(1,353)</u></u>
Loss per share attributable to the equity holders of the Company		
- Basic	<u>(A\$0.07)</u>	<u>(A\$0.03)</u>
- Diluted	<u>(A\$0.07)</u>	<u>(A\$0.03)</u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 16.

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2019	2018
	A\$'000	A\$'000
Loss for the year	(23,055)	(1,353)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange realignment on translation of:		
- Financial statements of overseas subsidiaries	<u>(168)</u>	<u>1,518</u>
Total comprehensive (loss)/income for the year	<u><u>(23,223)</u></u>	<u><u>165</u></u>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(2,511)	(566)
Non-controlling interests	<u>(20,712)</u>	<u>731</u>
	<u><u>(23,223)</u></u>	<u><u>165</u></u>

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VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018
	A\$'000	A\$'000
ASSETS		
Non-current assets		
Fixed assets		
- Investment property	497	537
- Plant and equipment	7,759	8,752
Land use rights	4,415	4,421
Interests in an associate	188	337
Goodwill	-	2,856
Financial assets at fair value through other comprehensive income	2,308	-
Available-for-sale financial assets	-	2,278
	<u>15,167</u>	<u>19,181</u>
Current assets		
Trade and other receivables	24,825	21,270
Inventories	46,816	69,087
Pledged bank deposits	140	1,036
Cash and cash equivalents	926	923
	<u>72,707</u>	<u>92,316</u>
Total assets	<u><u>87,874</u></u>	<u><u>111,497</u></u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 16.

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	2019	2018
	A\$'000	A\$'000
CAPITAL AND RESERVES		
Equity		
Share capital	8,331	8,331
Reserves	<u>2,150</u>	<u>8,615</u>
Capital and reserves attributable to the equity holders of the Company	10,481	16,946
Non-controlling interests	<u>12,362</u>	<u>33,074</u>
Total equity	22,843	50,020
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	<u>7,477</u>	<u>12,820</u>
Current liabilities		
Trade and other payables	57,518	46,548
Tax payable	36	36
Short-term bank borrowing	<u>-</u>	<u>2,073</u>
	<u>57,554</u>	<u>48,657</u>
Net current assets	<u>15,153</u>	<u>43,659</u>
Total equity and liabilities	<u>87,874</u>	<u>111,497</u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 16.

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity AS'000
	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	
As at 1 April 2017	8,031	43,445	(27,786)	47,645	1,440	2,949	(59,277)	48,790
- Total comprehensive income/(loss) for the year	-	-	560	-	-	-	(1,126)	165
Transactions with equity holders in their capacity	8,031	43,445	(27,226)	47,645	1,440	2,949	(60,403)	48,955
- Issuance of shares by exercise of warrants	300	885	-	-	(120)	-	-	1,065
- Transfer of warrant reserve upon lapse of warrants	-	-	-	-	(240)	-	240	-
- Transfer of share-based compensation reserve upon lapse of share options	-	-	-	-	-	(1,242)	1,242	-
As at 31 March 2018	8,331	44,330	(27,226)	47,645	1,080	1,707	(58,921)	50,020
As at 1 April 2018	8,331	44,330	(27,226)	47,645	1,080	1,707	(58,921)	50,020
Adjustment on adoption of HKFRS 9, net of tax	-	-	-	-	-	-	(3,954)	(3,954)
Restated balance on 1 April 2018	8,331	44,330	(27,226)	47,645	1,080	1,707	(62,875)	46,066
- Total comprehensive loss for the year	-	-	387	-	-	-	(2,898)	(23,223)
Transactions with equity holders in their capacity	8,331	44,330	(26,839)	47,645	1,080	1,707	(65,773)	22,843
- Transfer of warrant reserve upon lapse of warrants	-	-	-	-	(150)	-	150	-
As at 31 March 2019	8,331	44,330	(26,839)	47,645	930	1,707	(65,623)	22,843

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 16.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 A\$'000	2018 A\$'000
Operating activities		
Net cash generated from/(used in) operating activities	<u>1,377</u>	<u>(2,971)</u>
Investing activities		
Purchase of fixed assets	(233)	(1,081)
Purchase of available-for-sale financial assets	-	(481)
Proceeds from disposal of plant and equipment	89	203
Interest received	<u>31</u>	<u>54</u>
Net cash used in investing activities	<u>(113)</u>	<u>(1,305)</u>
Financing activities		
Interest paid	(47)	(112)
Decrease/(increase) of pledged fixed deposits	886	(474)
Repayment of bank loans	(2,043)	-
Proceeds from bank loans	-	2,073
Proceeds from issuance of new shares by exercise of warrants	<u>-</u>	<u>1,065</u>
Net cash (used in)/generated from financing activities	<u>(1,204)</u>	<u>2,552</u>
Net increase/(decrease) in cash and cash equivalents	60	(1,724)
Cash and cash equivalents at the beginning of the year	923	1,374
Effect of foreign exchange rate change, net	<u>(57)</u>	<u>1,273</u>
Cash and cash equivalents at the end of the year	<u><u>926</u></u>	<u><u>923</u></u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 16.

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE PRELIMINARY FINAL REPORT

Note 1. Statement of Significant Accounting Policies

The preliminary final report of ViaGOLD Capital Limited and its subsidiaries (collectively the "Group") has been prepared in accordance with listing rule 4.3A of the Australian Securities Exchange Limited ("ASX") and has been derived from the unaudited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards.

The preliminary final report is presented in Australian dollars, unless otherwise stated.

The preliminary final report has been prepared under the historical cost convention, as modified by the revaluations of financial assets and financial liabilities at fair value through profit or loss (if any). The accounting policies adopted in this report is the same as those disclosed in the consolidated financial statements for the year ended 31 March 2019.

The International Accounting Standards Board ("IASB") has issued a number of new International Financial Reporting Standards and IFRIC interpretations ("IFRSs") and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

IFRS 9, Financial instruments

IFRS 15, Revenue from contracts with customers

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 also replaces the "incurred loss" model in IAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group has applied IFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on trade and other receivables and accumulated losses at 1 April 2018.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE PRELIMINARY FINAL REPORT (continued)

Note 1. Statement of Significant Accounting Policies (continued)

	IAS 39 Carrying amount 31 March 2018 A\$'000	Remeasurement A\$'000	IFRS 9 Carrying amount 1 April 2018 A\$'000
Trade and other receivables	21,270	(3,954)	17,316
Accumulated losses	58,921	3,954	62,875

Apart from above, the adoption of IFRS 9 and IFRS 15 has had no impact on the Group's consolidated financial statements.

The accounting policies adopted in this report have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year other than adoption of IFRS 9 and IFRS 15.

The preliminary final report is based on the financial statements which are in the process of being audited.

The current reporting in the preliminary final report is the year ended 31 March 2019 while the prior year is the year ended 31 March 2018.

Note 2. Segment Reporting

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

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

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

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE PRELIMINARY FINAL REPORT (continued)

Note 2. Segment Reporting (continued)

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

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

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

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

VIAGOLD CAPITAL LIMITED

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

NOTES TO THE PRELIMINARY FINAL REPORT (continued)

Note 2. Segment Reporting (continued)

The segment information provided to the management for the reporting segments for the year ended 31 March 2019 is as follows:

	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Total A\$'000
Segment revenue	360	408	26,629	27,397
Inter-segment revenue	-	-	-	-
Revenue from external customers	<u>360</u>	<u>408</u>	<u>26,629</u>	<u>27,397</u>
Reportable segment (loss)/profit before income tax	(158)	126	(24,901)	(24,933)
Unallocated corporate expenses				(3,463)
Loss before income tax				<u>(28,396)</u>
Depreciation	(224)	(54)	(903)	(1,181)
Amortisation of land use rights	-	-	(62)	(62)
Interest income	1	-	31	32
Finance costs	-	-	(47)	(47)
Gain/(loss) on disposal of plant and equipment	<u>-</u>	<u>-</u>	<u>(86)</u>	<u>(86)</u>
As at 31 March 2019				
Reportable segment assets	1,866	560	84,903	87,329
Interests in an associate				188
Unallocated corporate assets				357
Consolidated total assets				<u>87,874</u>
Non-current assets				
(Other than financial instruments)	1,079	298	11,292	12,669
Unallocated corporate assets				190
				<u>12,859</u>
Additions to non-current assets				
(Other than financial instruments)	<u>-</u>	<u>-</u>	<u>233</u>	<u>233</u>
Reportable segment liabilities	(122)	(869)	(62,404)	(63,395)
Unallocated corporate liabilities				(1,636)
Consolidated total liabilities				<u>(65,031)</u>

The Group's customer base includes three (2018: two) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to A\$11,562,000, A\$4,043,000 and A\$3,195,000 each which related to rare earth refining and separation segment (2018: A\$10,981,000 and A\$5,037,000 each which related to rare earth refining and separation segment).

VIAGOLD CAPITAL LIMITED

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

NOTES TO THE PRELIMINARY FINAL REPORT (continued)

Note 2. Segment Reporting (continued)

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

	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Total A\$'000
Segment revenue	215	368	35,014	35,597
Inter-segment revenue	-	-	-	-
Revenue from external customers	<u>215</u>	<u>368</u>	<u>35,014</u>	<u>35,597</u>
Reportable segment (loss)/profit before income tax	(168)	8	(170)	(330)
Unallocated corporate expenses				(820)
Loss before income tax				<u>(1,150)</u>
Depreciation	(133)	(11)	(1,053)	(1,197)
Amortisation of land use rights	-	-	(59)	(59)
Interest income	2	-	52	54
Finance costs	-	-	(112)	(112)
Gain on disposal of plant and equipment	<u>25</u>	<u>-</u>	<u>(2)</u>	<u>23</u>
As at 31 March 2018				
Reportable segment assets	1,981	366	105,322	107,669
Interests in an associate				337
Unallocated corporate assets				3,491
Consolidated total assets				<u>111,497</u>
Non-current assets				
(Other than financial instruments)	1,293	350	12,067	13,710
Unallocated corporate assets				3,193
				<u>16,903</u>
Additions to non-current assets				
(Other than financial instruments)	<u>765</u>	<u>236</u>	<u>80</u>	<u>1,081</u>
Reportable segment liabilities	(100)	(797)	(59,256)	(60,153)
Unallocated corporate liabilities				(1,324)
Consolidated total liabilities				<u>(61,477)</u>

VIAGOLD CAPITAL LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE PRELIMINARY FINAL REPORT (continued)

Note 3. Additions to Plant and Equipment

During the year, the Group acquired plant and equipment at a cost of approximately A\$233,000 (Year ended 31 March 2018: approximately A\$1,081,000).

Note 4. Audit Status

This report is based on accounts which are in the process of being audited.