

# DYNASTY

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## RESOURCES LIMITED

ABN 80 110 385 709

**Annual Report**  
**For the year ended 30 June 2019**

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## **Corporate Information**

Directors	William Hu (Non-Executive Chairman) Gang Xu Malcolm Castle
Company Secretary	Henko Vos
Company Particulars	<p>Dynasty Resources Limited ACN 110 385 709</p> <p>During the year the Company continued with the exploration and evaluation of mineral licences in Australia. The Company also has a 75% interest in a financial leasing company which operates in mainland China.</p> <p>Its securities are listed on the Australian Securities Exchange but currently subject to trading suspension.</p>
Registered Office and Principal Place of Business	<p>Level 3, 88 William St Perth WA 6000</p> <p>Telephone: +61 8 9463 2463</p>
Email and Website	<p>Email: <a href="mailto:info@dmaltd.com.au">info@dmaltd.com.au</a> Website: <a href="http://www.dynastyresources.com.au">www.dynastyresources.com.au</a></p>
Auditor	<p>BDO Level 11, 1 Margaret St Sydney NSW 2000 AUSTRALIA Telephone: +61 2 9251 4100 Facsimile: +61 2 9240 9821</p>
Share Registrar	<p>Security Transfer Registrars Pty Ltd Suite 1, Alexandria House 770 Canning Highway Applecross WA 6153</p> <p>Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233</p>
Stock Exchange	Dynasty Resources Limited shares are listed on the Australian Securities Exchange (ASX: DMA).
Country of Incorporation	Australia
Corporate Governance Statement	<p><a href="http://www.dynastyresources.com.au">www.dynastyresources.com.au</a> within the Corporate &gt; Corporate Governance section.</p>

**Dynasty Resources Limited**  
**Directors' Report**  
**30 June 2019**

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## **Directors' Report**

The directors of Dynasty Resources Limited (the 'Company' or 'parent entity') present their report, together with the financial statements of the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of the Company and the entities it controlled for the year ended 30 June 2019 ('the reporting period') and the auditor's report thereon.

The Company is a company limited by shares and is incorporated and domiciled in Australia.

The functional and presentation currency of the Consolidated Entity is Australian Dollars.

### **Directors**

The directors of the Company at any time during or since the end of the reporting period are:

William Hu (Non-Executive Chairman)	Appointed as Director on 29 July 2019, appointed as Chairman on 30 August 2019
Gang Xu (Managing Director)	Appointed 8 March 2019
Malcolm Castle (Non-Executive Director)	Appointed 8 March 2019
Lewis Tay (Chairman and Managing Director)	Resigned 30 July 2019
Bin Wang (Non-Executive Director)	Resigned 30 July 2019
Bo Xin Dong (Alternate Director for Bin Wang)	Resigned 30 July 2019
Kenneth Charteris (Non-Executive Director)	Resigned 7 March 2019

### **Principal activities**

During the year the principal activity of the Company continued with the exploration and evaluation of mineral licences in Australia. The Company also has a 75% interest in a financial leasing company which operates in mainland China.

### **Dividends**

The Company did not pay any dividends during the period. The Directors do not recommend the payment of a dividend in respect of the full year ending on 30 June 2019.

### **Review of operations and financial position**

The results of the Consolidated Entity's operations and the financial position are summarised below:

	<b>Year ended 30 Jun 19</b>	<b>Year ended 30 Jun 18</b>
	<b>\$</b>	<b>\$</b>
Revenue and other income	1,089,961	926,592
Loss after income tax	(1,328,364)	(632,941)
Basic and diluted loss per share (in cents)	(0.22)	(0.12)
Total assets	7,606,917	8,351,311
Total liabilities	1,631,651	1,054,696
Net current assets	5,318,716	6,659,384
Net assets	5,975,266	7,296,615

**Dynasty Resources Limited**  
**Directors' Report**  
**30 June 2019**

**Directors' Report (continued)**

**Review of operations and financial position (continued)**

Summary of Consolidated Entity's performance and movements in Dynasty Resources Limited's share price over the last five years:

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue and other income	1,089,961	926,592	665,500	144,013	24,110
Net loss before tax	(1,593,369)	(655,484)	(635,346)	(556,043)	(867,597)
Net loss after tax	(1,328,364)	(632,941)	(718,618)	(556,043)	(803,727)
Closing share price at reporting dates* (in cents)	-	-	-	5.50	0.80
Basic and diluted loss per share (in cents)	(0.22)	(0.12)	(0.16)	(0.14)	(0.64)
Dividends per share	-	-	-	-	-

\*On 8th December 2016 the ASX suspended the Company from official quotation after the ASX formed the view that the Company had breached Chapter 11 of the ASX Listing Rules. In accordance with ASX Listing Rule 11.1.3 the ASX has determined that the Company will remain suspended until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

On 22 July 2019 the Company received correspondence from the ASX informing it that ASX considers that the level of DMA's operations and its financial condition were not sufficient to warrant DMA's listing and that DMA is currently not in compliance with Listing Rules 12.1 and 12.2. DMA subsequently announced on 21 August 2019 that it was advised by ASX that it must re-comply with Chapters 1 & 2 of the ASX Listing Rules to be reinstated to official quotation by 8 December 2019 and was granted time to do so.

**Tenement Management**

Below is a summary of the tenements.

<b>Project</b>	<b>Lease</b>	<b>Commodity</b>	<b>Holder (if not DMA)</b>	<b>Locality</b>
Ashburton	E08/2915	Base metals-Co		WA
Stanley <sup>1</sup>	E69/2266	Uranium - U	Goldstone Resources Pty Ltd	WA
Hyden <sup>1</sup>	E77/2040	Gold - Au	Goldstone Resources Pty Ltd	WA
Youno Downs Road <sup>2</sup>	E51/1908	Gold - Au		WA

<sup>1</sup> The Company holds a 16% interest in Goldstone Resources Pty Ltd

<sup>2</sup> Application only at this time

## Directors' Report (continued)

### Tenement Management (continued)

#### ASHBURTON COBALT PROJECT

A LAG sampling program in 2018 indicated potential for 3 zones of broad cobalt, copper and zinc anomalism, sub-parallel to stratigraphy. A RAB program is being designed to test these horizons for signs of suitable host for a sedimentary exhalative deposit and signs of a hydrothermal system. Infill LAG may be considered to further define targets.

This project currently represents the most advanced of DMA and logically is the priority for spend, however subject to subsequent events (ASX show cause letter in July and subsequent Remediation Plan being prepared by DMA), project priorities may change in the September quarter.

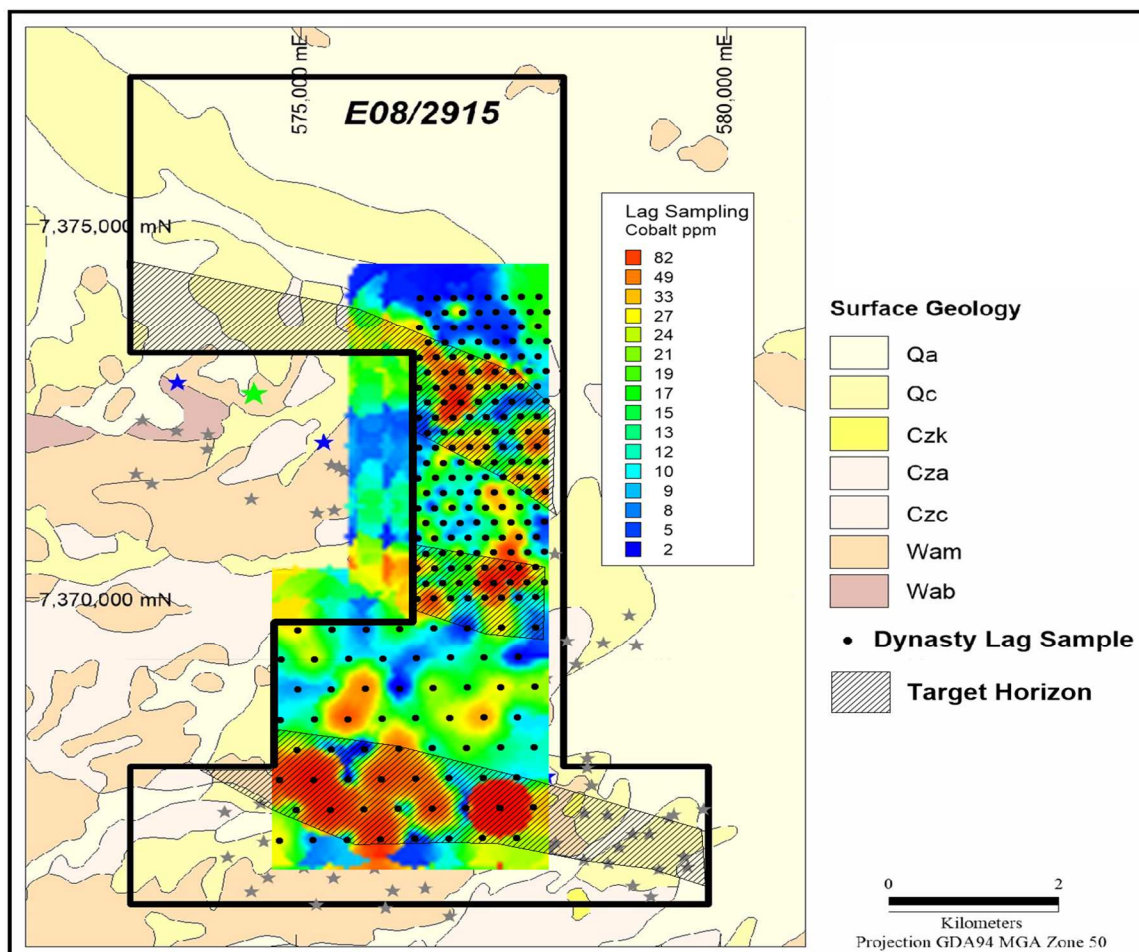
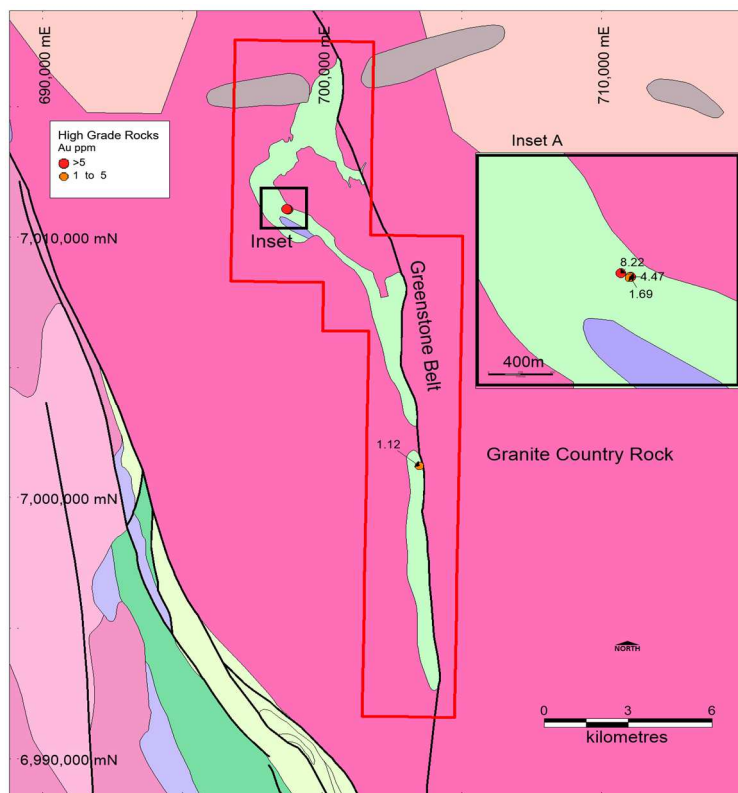


Figure 1 Recent Lag Sampling gridded for Cobalt

## Directors' Report (continued)

### Tenement Management (continued)



**Figure 2 Ashburton Cobalt tenement previous results**

### YOUNO DOWNS (GOLD)

This application E51/1908, is still awaiting grant. Located approx 60km southeast of Meekatharra, this area forms part of the north western extent of the Youanmi Terrain Greenstone belt. The local geology comprises typical northwest trending mafic volcanic with BIF and minor ultramafic rocks, enveloped by metamonzogranite to metagranodiorite rocks of the Tuckanarra Suite. A north to south trending fault strikes through the centre of the greenstone belt, which appears to be extension of a larger regional fault system. Initial evaluation of the geophysics shows north south trending magnetic high, supporting the presence of a greenstone belt thought to be extension of Youanmi Terrane Greenstone Belt which hosts several gold systems. Limited drilling has been undertaken. Previous rock chip samples from the tenement area returned the following anomalous values :

Au @ 8.22 ppm	Au @ 5.04 ppm	Au @ 4.47 ppm
Au @ 3.1 ppm	Au @ 1.69 ppm	Au @ 1.39 ppm

## **Directors' Report (continued)**

### **Other Significant Investment Activities**

No other significant investment activities occurred during the period.

### **Competent Persons Qualifying Statement**

The information in this report that relates to exploration results and mineral resource calculations has been compiled by Mr David Jenkins, a full-time employee of Terra Search Pty Ltd, geological consultants engaged by Dynasty. Mr Jenkins is a Member of the Australian Institute of Geoscientists and has sufficient experience in the style of mineralisation and type of deposit under consideration and the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results ("JORC Code"). Mr Jenkins consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

### **Significant changes in state of affairs**

There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event that has significantly affected or may significantly affect the Consolidated Entity's operations or results in future years, or the Consolidated Entity's state of affairs in future years.

### **Matters subsequent to the end of the financial year**

On 22 July 2019 the Company received correspondence from the ASX informing it that ASX considers that the level of DMA's operations and its financial condition were not sufficient to warrant DMA's listing and that DMA is currently not in compliance with Listing Rules 12.1 and 12.2. DMA subsequently announced on 21 August 2019 that it was advised by ASX that it must re-comply with Chapters 1 & 2 of the ASX Listing Rules to be reinstated to official quotation by 8 December 2019 and was granted time to do so.

The Board understands the seriousness of this matter. On 30 July 2019 the Board announced the resignation of Mr Lewis Tay, Executive Chairman, Managing Director and Mr Bin Wang, Non-Executive Director while announcing the appointments of William Hu, Non-Executive Chairman & Chief Financial Officer, and Peter Dillon, Chief Operating Officer.

The Company continues its work in seeking relevant approvals for its reinstatement.

No other matters or circumstances have arisen between since the end of the reporting period and the date of this report that has significantly affected or may significantly affect the operations or the state of affairs of the Consolidated Entity in future financial years.

### **Likely developments and expected results of operations**

Other than as referred to in this report, further information as to likely future developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative only.

### **Environmental regulation and performance**

In the course of exploration, the Company carries out sampling and drilling operations that have environmental implications both by way of in situ activities and also gaining access to sites. In such cases, rehabilitation of land and the elimination of any dangerous earthworks are a normal requirement. Apart from this, the Company is not subject to any particular or significant environmental regulation.



## **Directors' Report (continued)**

### **Information on Directors**

<b>Director Name &amp; Title</b>	William Hu
<b>Special Responsibilities</b>	Non-Executive Chairman, Chair of Audit & Risk Committee
<b>Qualifications</b>	Bachelor of Commerce
<b>Experience</b>	Mr Hu is a Fellow of Governance Institute of Australia and a Fellow of CPA Australia. He brings a wealth of experience in corporate finance, mergers and acquisitions in Australia. Mr Hu has also been appointed Chief Financial Officer.
<b>Direct interest in shares and options</b>	Nil
<b>Indirect interest in shares and options</b>	2,650,000
<b>Contractual rights</b>	None
<b>Other current public directorships</b>	Non-Executive Chairman of Victor Group Holdings Limited (ASX:VIG)
<b>Former public directorships held in past 3 years</b>	None
<b>Director Name &amp; Title</b>	Gang Xu
<b>Special Responsibilities</b>	Managing Director, Member of Audit and Risk Committee
<b>Qualifications</b>	Bachelor of Geochemistry Master of Geological Science in Engineering Master of Business Administration
<b>Experience</b>	Gang has over 25 years' senior management experience, including roles with Australian public and ASX listed companies serving in the capacity as Managing Director or Non-Executive Director. Gang was a founder of ITM Corporation Ltd the core business formed the foundation for AUMake International Limited (ASX: AU8) of which he is currently a Non-Executive Director.
<b>Direct interest in shares and options</b>	Nil
<b>Indirect interest in shares and options</b>	Nil
<b>Contractual rights</b>	None
<b>Other current public directorships</b>	Non-Executive Director of AUMake International Ltd (ASX:AU8)
<b>Former public directorships held in past 3 years</b>	Lotus Resources Ltd (ASX:LOT) (Jun 2006 – Jan 2018)
<b>Director Name &amp; Title</b>	Malcolm Castle
<b>Special Responsibilities</b>	Member of Audit and Risk Committee
<b>Qualifications</b>	Bachelor Degree in Applied Geology Bachelor of Science (Hons)
<b>Experience</b>	Mr Castle has extensive experience as an exploration geologist and has the experience and qualifications to be an 'Expert' and 'Competent person' under the Australian Valmin and JORC Codes respectively. He is the Principal of Agricola Mining Consultants Pty Ltd.
<b>Direct interest in shares and options</b>	Nil
<b>Indirect interest in shares and options</b>	Nil
<b>Contractual rights</b>	None
<b>Other current public directorships</b>	None
<b>Former public directorships held in past 3 years</b>	None

## **Directors' Report (continued)**

### **Company Secretary**

Henry Kinslinger was the Company Secretary during the period until 30 August 2019. Henko Vos was appointed on 30 August 2019.

### **Directors meetings**

The number of meetings of the Board of Directors and Board Committee's held during the financial year were:

	<b>Board Meetings</b>		<b>Audit &amp; Risk Committee Meetings</b>	
	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>
Gang Xu (appointed 8 March 2019)	3	3	1	1
Malcolm Castle (appointed 8 March 2019)	3	2	1	1
Lewis Tay (resigned 30 July 2019)	6	5	2	2
Bin Wang (resigned 30 July 2019)	6	5	1	1
Bo Xin Dong (resigned 30 July 2019)	-	-	-	-
Kenneth Charteris (resigned 7 March 2019)	5	4	1	1

Resolutions passed by Circular Resolution of the Board are reported in the above table.

### **Retirement, election and continuation in office of directors**

All three current directors will stand for election at the 2019 AGM, being the first General Meeting since their appointments.

## **Remuneration Report (Audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The Company's Board comprises a Non-Executive Chairman, a Managing Director, and one non-executive Director. The Company does not have any employees. Therefore, remuneration disclosures in this report relate to the remuneration of the directors. The disclosures below relate only to those directors who held office during the year.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share based compensation
- Additional information

### **Principles used to determine the nature and amount of remuneration**

Given the size and nature of the Company and the Board, the Board has elected not to establish a Remuneration Committee and instead discharges such responsibilities usually delegated to a Remuneration Committee itself.

As the Company has not yet developed a reward framework, remuneration for certain individuals is not directly linked to the performance of the consolidated entity at the date of this report.

During the financial year ended 30 June 2019, no remuneration consultants were engaged.

Non-executive Directors' fees and payments are reviewed regularly by the Board in light of demands of the Directors from time to time and the financial condition of the Company. Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors do not receive share options or other incentives as part of fees paid for services provided.

The Company's Constitution provides that Directors may be paid such remuneration as is determined from time to time in a General Meeting. The Board Charter discloses the main corporate governance practices of the Board including a detailed definition of independence, a framework for the identification of candidates for appointment to the Board, requirements regarding conflicts of interest, and the role and responsibility of the board.

Superannuation contributions and insurance premiums are also paid by the Company in accordance with the law and the Company's Constitution. Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 24 July 2007, where the shareholders approved a maximum annual aggregate remuneration of \$200,000.

The remuneration is subject to a non-binding shareholders vote at the Company's annual general meeting. At the 2018 AGM 100 % of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Remuneration Report (Audited) (continued)

### Details of Remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. The directors and other key management personnel of the Company during or since the end of the financial year were:

Name	Position
William Hu	Non-Executive Chairman, Chief Financial Officer (appointed 29 July 2019)
Gang Xu	Managing Director (appointed 8 March 2019)
Malcolm Castle	Non-Executive Director (appointed 8 March 2019)
Lewis Tay	Executive Chairman and Managing Director (resigned 30 July 2019)
Bin Wang	Non-Executive Director (resigned 30 July 2019)
Bo Xin Dong	Alternate Director for Bin Wang (resigned 30 July 2019)
Kenneth Charteris	Independent Non-Executive Director (resigned 7 March 2019)

In accordance with the requirements of the constitution, Directors' remuneration is fixed. The Board undertakes an annual review of compensation arrangements for executive and non-executive directors to ensure compensation arrangements are market competitive and adequately reflect the skills, expertise and time demands on directors.

Details of the nature and amount of each major element of remuneration of each director of the Company (as defined in section 300A of the *Corporations Act 2001*) are set out in the following tables:

	Short term benefits		Post-employment	Total
	Salary & fees	Other	Superannuation	
Year ended 30 June 2019	\$	\$	\$	\$
William Hu (1)	-	-	-	-
Gang Xu (2) (8)	-	-	-	-
Malcolm Castle (3) (8)	-	-	-	-
Lewis Tay (4) (8)	108,420	-	5,740	114,160
Bin Wang (5) (8)	16,000	-	-	16,000
Bo Xin Dong (6)	-	-	-	-
Kenneth Charteris (7) (8)	16,000	3,000	-	19,000
	<b>140,420</b>	<b>3,000</b>	<b>5,740</b>	<b>149,160</b>
Year ended 30 June 2018	\$	\$	\$	\$
Lewis Tay	132,420	-	5,740	138,160
Bin Wang	24,000	-	-	24,000
Bo Xin Dong (6)	-	-	-	-
Kenneth Charteris	24,000	-	-	24,000
	<b>180,420</b>	<b>-</b>	<b>5,740</b>	<b>186,160</b>

(1) William Hu was appointed on 29 July 2019, after the end of the financial year but before the signing of this financial report.

(2) Gang Xu was appointed on 8 March 2019

(3) Malcolm Castle was appointed on 8 March 2019.

(4) Lewis Tay resigned on 30 July 2019, after the end of the financial year.

(5) Bin Wang resigned on 30 July 2019, after the end of the financial year.

(6) Bo Xin Dong is an alternate Director for Bin Wang. No director's fees are payable to alternate directors. He resigned on the same day.

(7) Kenneth Charteris resigned on 7 March 2019.

(8) The Directors agreed to \$nil Director fees from 1 March 2019.

## Remuneration Report Audited) (continued)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration	
	2019	2018
Non-Executive Directors:		
William Hu(1)	-	-
Malcolm Castle (1)	-	-
Bin Wang (1)	100%	100%
Bo Xin Dong	100%	100%
Ken Charteris	100%	100%

(1) The Directors agreed to \$nil Director fees from 1 April 2019

### Contractual Arrangements with Executive KMP's

Component	Lewis Tay – Chairman and CEO
Fixed Remuneration	<p>\$72,000 in his capacity as Chairman. Mr Tay agreed to \$nil fees from 1 March 2019.</p> <p>\$5,035 per month plus superannuation in his capacity as CEO</p>
Contract Remuneration	<p>Chairman – Contract commenced 1 September 2016</p> <p>CEO –Contract commenced 1 September 2016</p>
Notice by the Individual/Company	As CEO – 1 Month written notice by company and CEO
Termination of employment	On termination of employment the CEO will receive no more than 3 months remuneration

There are no other formal service agreements in place with any other key management personnel.

## Remuneration Report Audited) (continued)

### Share based compensation

#### *Options and rights over equity instruments granted as compensation*

During the past two years, or since the end of this reporting period, no options were issued to Directors as compensation. Total expenses arising from share-based payment transactions recognised during the year and prior year, as part of the employee benefit expense was \$nil (2018: \$nil).

### Additional information

#### *Directors' interest in shares and options*

The numbers of ordinary shares in the Company held during the financial year by each Director the Company, including their personally related entities, are set out in the table below.

Year ended 30 June 2019	Opening Balance	Direct Holdings		Indirect Holdings		Closing Balance
		Purchases	Sales	Purchases	Sales	
Gang Xu	-	-	-	-	-	-
Malcolm Castle	-	-	-	-	-	-
Lewis Tay	4,159,302	-	-	-	-	4,159,302
Bin Wang	2,000,000 <sup>^</sup>	-	-	-	-	2,000,000
Bo Xin Dong	15,026,996 <sup>^</sup>	-	-	-	-	15,026,996
Kenneth Charteris	-	-	-	-	-	-
	21,186,298	-	-	-	-	21,186,298
<b>Year ended 30 June 2018</b>						
Lewis Tay	4,159,302	-	-	-	-	4,159,302
Bin Wang	2,000,000 <sup>^</sup>	-	-	-	-	2,000,000
Bo Xin Dong	15,026,996 <sup>^</sup>	-	-	-	-	15,026,996
Kenneth Charteris	-	-	-	-	-	-
	21,186,298	-	-	-	-	21,186,298

<sup>^</sup> Relevant interest 2,000,000 held jointly by B Wang and B Dong. Previously only reported for B Dong within 15,026,996.

#### *Loans from Key management personnel and their related parties*

During the year ended 30 June 2019 the Company did not enter into loans with key management personnel or their related parties.

#### *Transactions with related parties*

During the year the Company paid \$42,000 (30 June 2018: \$42,000) for Chief Financial Officer services from HK & Associates, an entity associated with William Hu.

There are no other related party transactions or balances during the year.

**This concludes the remuneration report.**

## **Directors' Report (continued)**

### **Unissued shares under option**

As at the date of this report there are no unissued shares of the Company under option.

### **Shares issued on the exercise of options**

During or since the end of the financial year, the Company has not issued any shares as a result of the exercise of options.

### **Indemnification and insurance of officers**

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

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

### **Indemnification and insurance of auditors**

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

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

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

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court.

### **Non-audit services**

During the year, BDO, the Company's auditor (or by another person or firm on the auditor's behalf) has not performed any other services in addition to their statutory duties.

## **Directors' Report (continued)**

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under *section 307C* of the *Corporations Act 2001* is set out immediately after this directors' report.

### **Auditor**

BDO continues in office in accordance with *section 327* of the *Corporations Act 2001*.

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

On behalf of the directors



**William Hu**

Non-Executive Chairman

Perth  
30 September 2019



**DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF DYNASTY RESOURCES LIMITED**

As lead auditor of Dynasty Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Dynasty Resources Limited and the entities it controlled during the year.



Gareth Few  
Partner

**BDO East Coast Partnership**

Sydney, 30 September 2019

# Dynasty Resources Limited

## Financial Statements

For year ended 30 June 2019

### Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	5	951,267	806,549
Cost of Sales		-	-
Gross Profit		951,267	806,549
Other income	6	138,694	120,043
<b>Expenses</b>			
Exploration expenses		(89,598)	(78,820)
Administration & occupancy expenses	7	(2,580,545)	(1,503,256)
Other expenses		(13,187)	-
Finance costs		-	-
<b>Loss from continuing operations before income tax expense for the year</b>		<b>(1,593,369)</b>	<b>(655,484)</b>
Income tax benefit/ (expense)	8	265,005	22,543
<b>Loss after income tax expense for the year</b>		<b>(1,328,364)</b>	<b>(632,941)</b>
<b>Other Comprehensive Income for the year, net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
-Unrecognised (loss)/gain on financial assets		(55,537)	65,083
-Exchange (loss)/gain on translating foreign operations		62,552	370,884
<b>Total comprehensive loss for the year</b>		<b>(1,321,349)</b>	<b>(196,974)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent		(1,119,641)	(627,454)
Non-controlling interests		(208,723)	(5,487)
		<b>(1,328,364)</b>	<b>(632,941)</b>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the parent		(1,112,626)	(191,487)
Non-controlling interests		(208,723)	(5,487)
		<b>(1,321,349)</b>	<b>(196,974)</b>
<b>Earnings per share</b>			
From continuing and discontinued operations			
Basic and diluted loss per share (cents)	16	(0.22)	(0.12)

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

# Dynasty Resources Limited

## Financial Statements

For year ended 30 June 2019

### Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	736,065	1,333,064
Trade and other receivables	10	6,173,891	6,243,134
Prepayments		4,780	117,060
<b>Total Current Assets</b>		<b>6,914,736</b>	<b>7,693,258</b>
<b>Non-Current Assets</b>			
Trade and other receivables	10	40,218	323,307
Financial assets	11	29,041	97,539
Property, plant and equipment	12	26,926	63,477
Deferred tax assets	8	595,996	173,730
<b>Total Non-Current Assets</b>		<b>692,181</b>	<b>658,053</b>
<b>Total Assets</b>		<b>7,606,917</b>	<b>8,351,311</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	101,941	40,945
Tax payable	8	146,225	42,466
Deposits received	14	1,347,854	950,463
<b>Total Current Liabilities</b>		<b>1,596,020</b>	<b>1,033,874</b>
<b>Non-Current Liabilities</b>			
Deposits received	14	35,631	20,822
<b>Total Non-Current Liabilities</b>		<b>35,631</b>	<b>20,822</b>
<b>Total Liabilities</b>		<b>1,631,651</b>	<b>1,054,696</b>
<b>Net Assets</b>		<b>5,975,266</b>	<b>7,296,615</b>
<b>EQUITY</b>			
Issued capital	15	25,589,970	25,589,970
Foreign currency translation reserve	17	107,867	45,315
Other reserves	18	68,153	140,217
Accumulated losses		(21,641,502)	(20,534,257)
		<b>4,124,488</b>	<b>5,241,245</b>
Equity attributable to owners of the parent		4,124,488	5,241,245
Non-controlling interest		1,850,778	2,055,370
<b>Total Equity</b>		<b>5,975,266</b>	<b>7,296,615</b>

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

# Dynasty Resources Limited

Financial Statements

For year ended 30 June 2019

## Statement of Changes in Equity

For the year ended 30 June 2019

	Issued Capital \$	Foreign Exchange Reserves \$	Other Reserves \$	Accum- ulated losses \$	Non controlling interest \$	Total equity \$
<b>2019 financial year</b>						
<b>Balance at 30 June 2018</b>	<b>25,589,970</b>	<b>45,315</b>	<b>140,217</b>	<b>(20,534,257)</b>	<b>2,055,370</b>	<b>7,296,615</b>
Loss attributed to members of the Company	-	-	-	(1,119,641)	(208,723)	(1,328,364)
Other Comprehensive income for the year	-	62,552	(55,537)	-	-	7,015
Total comprehensive income for the year	-	<b>62,552</b>	<b>(55,537)</b>	<b>(1,119,641)</b>	<b>(208,723)</b>	<b>(1,321,349)</b>
Transactions with owners in their capacity as owners:						
Statutory reserve movement	-	-	(16,527)	12,396	4,131	-
	<b>25,589,970</b>	<b>107,867</b>	<b>68,153</b>	<b>(21,641,502)</b>	<b>1,850,778</b>	<b>5,975,266</b>
<b>2018 financial year</b>						
<b>Balance at 30 June 2017</b>	<b>25,589,970</b>	<b>(325,569)</b>	<b>37,113</b>	<b>(19,878,287)</b>	<b>2,070,362</b>	<b>7,493,589</b>
Loss attributed to members of the Company	-	-	-	(627,454)	(5,487)	(632,941)
Other Comprehensive income for the year	-	370,884	65,083	-	-	435,967
Total comprehensive income for the year	-	370,884	65,083	(627,454)	(5,487)	(196,974)
Transactions with owners in their capacity as owners:						
Statutory reserve movement	-	-	38,021	(28,516)	(9,505)	-
<b>Balance at 30 June 2018</b>	<b>25,589,970</b>	<b>45,315</b>	<b>140,217</b>	<b>(20,534,257)</b>	<b>2,055,370</b>	<b>7,296,615</b>

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

# Dynasty Resources Limited

## Financial Statements

For year ended 30 June 2019

### Statement of Cash Flows

For the year ended 30 June 2019

		2019	2018
	Note	\$	\$
<b>Cash Flows from Operating Activities</b>			
Net leasing (outflow) / inflow		(116,893)	(2,326,135)
Receipts from customers		142,416	115,529
Payments to suppliers and employees (incl. GST)		(615,261)	(760,908)
Interest received		9,225	15,017
Income tax paid		(53,503)	(108,274)
Finance costs		-	-
<b>Net Cash Outflow from Operating Activities</b>	19	<b>(634,016)</b>	<b>(3,064,771)</b>
<b>Cash Flow from investing Activities</b>			
Purchase of property, plant and equipment		-	-
Proceeds from the sale of property, plant and equipment		27,961	-
Proceeds from the sale of financial assets		84,353	-
Purchase of financial assets		(84,578)	(6,999)
<b>Net Cash Inflow/(outflow) from investing Activities</b>		<b>27,736</b>	<b>(6,999)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(606,280)</b>	<b>(3,071,770)</b>
<b>Cash and Cash Equivalents at beginning of period</b>		<b>1,333,064</b>	<b>4,320,051</b>
Effects of exchange rate changes on cash		9,281	84,783
<b>Cash and Cash Equivalents at the end of period</b>	9	<b>736,065</b>	<b>1,333,064</b>

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

**Notes to Consolidated Financial Statements****For the year ended 30 June 2019****1. General information**

The financial statements cover Dynasty Resources Limited as a consolidated entity consisting of Dynasty Resources Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Dynasty Resources Limited's functional and presentation currency. Dynasty Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is: Level 3, 88 William St, Perth, WA 6000.

A description of the nature of the consolidated entity's operations and its principal activities are included in the director's report, which is not part of the financial statements. The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019.

**2. Summary of Significant Accounting Policies****Going Concern**

The annual financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business of the foreseeable future. Financial information considered is set out below:

	<b>Year ended 30 Jun 19</b>	<b>Year ended 30 Jun 18</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,328,364)	(632,941)
Net cash /(outflow) from operations	(634,016)	(3,064,771)
Cash and cash equivalents at 30 June	736,065	1,333,064
Net current assets	5,318,716	6,659,384
Net assets	5,975,266	7,296,615

In addition to the above, as announced to the market by the Directors of Dynasty Resources on the 15 July 2018, the Directors resolved to dispose of the Company's investment in U.S.A. Nongbiao Puruina Group Agricultural Holding Limited (Nong Biao) and continue operations solely as an exploration Company. Whilst a search for a buyer of Nong Biao has been underway, at the date of this report the matter remains open and as such the timing and proceeds of disposal remain uncertain.

In order for the Company to retain its ASX listing and continue as an exploration company there needs to be substantive expenditure to continue to advance its exploration programs. The cash flow forecast prepared for the assessment of Going Concern factors in a number of estimates and assumptions in relation to the timing and quantum of planned exploration expenditure.

On 22 July 2019 the Company received correspondence from the ASX informing it that ASX considers that the level of DMA's operations and its financial condition are not sufficient to warrant DMA's continued listing and that DMA is currently not in compliance with Listing Rules 12.1 and 12.2. In response to DMA's submission DMA announced on 21 August 2019 that it had received communication from the ASX that it must re-comply with Chapters 1 & 2 of the ASX Listing Rules to be reinstated to official quotation by 8 December 2019 (other than for a short extension which may be provided under the Listing Rules), failing which it will be removed from the Official List.

On 30 July 2019 the Board announced the resignation of Mr Lewis Tay, Executive Chairman, Managing Director and Mr Bin Wang, Non-Executive Director while announcing the appointment of William Hu, Executive Chairman, Chief Financial Officer, and Peter Dillon, Chief Operating Officer.

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**Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

**2. Summary of Significant Accounting Policies (continued)**

The above matters give rise to a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial report has been prepared on the going concern basis. The ability of the Group to continue as a going concern is dependent on additional funding through either equity, debt, or the disposal of Nong Biao or a combination of all, to continue to find its operational and exploration activities.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

**New, revised or amending Accounting Standards and Interpretations adopted**

This note explains the impact of the adoption of *AASB 15 Revenue from Contracts with Customers* and *AASB 9 Financial Instruments* on the Group's financial statements.

***AASB 15 Revenue from Contracts with Customers***

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised when, or as control transfers to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted AASB 15 using the full retrospective method of adoption. The impact of AASB 15 has been assessed by management and determined the application does not have material impact on the previous period financial statements and therefore the comparative financial information is not restated and no catch-up adjustment is recognised in opening retained earnings as at 1 July 2017. The Group did not apply any of the practical expedients available on transition.

The Group is in the business of exploration of mining licences and finance in China. The Group does not sell goods or services with any variable consideration or warranty obligations. The Group's income arises from sale of licence rights. The Group has concluded that revenue from sale of licence rights should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the licence rights. Therefore, the adoption of AASB 15 did not have a material impact on the timing of revenue recognition.

The disclosure of revenue presentation has not been impacted by AASB15. The Group disaggregated revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash-flows are affected by economic factors. The Group also disclosed the information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for disclosure on disaggregated revenue.

No significant judgments are made by management in relation to revenue recognition.

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## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **AASB 9 Financial Instruments**

*AASB 9 Financial Instruments* replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments; classification and measurement, impairment, and hedge accounting. The Group has applied AASB 9 retrospectively.

##### **(a) Classification and measurement**

Under AASB 9, the Group initially measures a financial asset at its fair value plus transaction costs. Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding on specified dates ('the SPPI criterion').

The new classification and measurement of the Group's debt financial assets are that debt instruments at amortised cost are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet SPPI criterion. This category includes the Group's Trade and other receivables.

The assessment of the Group's business models was made as of 1 July 2018 and then applied retrospectively. The accounting for the Group's financial liabilities remain largely the same as it was under AASB 139.

##### **(b) Impairment**

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECL's for all debt financial assets not held at FVPL. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The short fall is then discounted at an approximation to the asset's original effective interest rate. For Trade and other receivables the Group has applied AASB 9's simplified approach and has calculated ECL's based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted to forward-looking factors specific to the debtors and the economic environment. Individual debts that are known to be uncollectible are written off when identified.

The adoption of the ECL requirements of AASB 9 did not result in a material change in impairment allowances of the Group's debt financial assets. There was no change in retained earnings. The statement of financial position as at 30 June 2018 and the statement of comprehensive income for the year ended 30 June 2018 did not need to be restated. Other than this change in the calculation of the ECL approach, the accounting for the Group's financial assets remains largely the same as it was under AASB 139.

The adoption of the hedge accounting requirements of AASB 9 had no significant impact on the Group's financial statements.

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



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## **Notes to Consolidated Financial Statements (continued)**

For the year ended 30 June 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

#### *Parent entity information*

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dynasty Resources Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Dynasty Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The determination of control is based on current facts and circumstances and is continuously assessed. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Company are presented as "non-controlling interests". The Company initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Changes in ownership interests**

When acquiring additional interests of a financial asset (such that it becomes an associate, joint venture or subsidiary) or an investment in an associate or joint venture (such that it becomes a subsidiary), previously held interests are revalued to their current fair value and any gain or loss is immediately recognised in profit or loss. When increasing or decreasing the ownership interests of a subsidiary that remains a subsidiary afterwards, the consideration exchanged is recognised directly in equity.

#### **Comparatives**

Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

#### **Segment reporting**

Operating segments are identified on the basis of internal reports to management about components of the Company that are regularly reviewed by management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance.

Information reported to management for the purposes of resource allocation and assessment of performance is comprising two reportable segments as disclosed in note 4. Information about geographical segments is based on the financial information used to produce the Company's financial statements.

#### **Foreign currency transactions**

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

#### **Revenue recognition**

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

#### *Finance lease income*

Lease income is recognised over the term of the lease using the effective interest method, which reflects a constant rate of return.

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## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Other revenue**

Other revenue is recognised when it is received or when the right to receive payment is established.

#### **Interest**

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

#### **Foreign operations**

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

#### **Foreign currency translation**

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The Company's and Consolidated Entity's financial statements are presented in Australian dollars (the presentation currency), which is also the Company's functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

The financial results and position of foreign operations, whose functional currency is different from the Company's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

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## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Current and non-current classification**

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **Income tax**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

#### **Cash and cash equivalents**

Cash comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### **Trade and other receivables**

Receivables are recognised and carried at fair value. An impairment loss allowance is recognised based on a forward-looking expected credit loss (ECL) approach. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Consolidated Entity becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All financial assets except for those at Fair Value through Profit or Loss are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Consolidated Entity of financial assets is impaired.

The Consolidated Entity's financial liabilities include borrowings, trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **Investments**

All investments are initially recognised at fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available for sale, are measured at fair value.

Gains or losses on financial assets at fair value through other comprehensive income are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which point the cumulative gain or loss previously reported in reserves is transferred to retained earnings.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. Property, plant and equipment are reviewed for impairment at each reporting date. Historical cost includes expenditure directly attributable to the acquisition of the asset. Property, plant and equipment does not include assets leased out under financing leases.

The useful life of the assets have been set at the following levels to determine the depreciation rates:

- Plant and equipment: 2.5 to 20 years

The carrying amount of the property, plant and equipment is reviewed by management to determine the adequacy of the depreciation charged at the end of each reporting period. Any excess or shortfall in depreciation charged is being adjusted in the income statement in the year in which such adjustments are being made as a reversal of the depreciation expense. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

#### **Financial Liabilities**

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowing. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

#### **Leases**

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are operating leases.

Where finance leases are granted to third parties, the present value of the lease receipts is recognised as finance lease receivable. The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Lease income is recognised over the term of the lease using the effective interest method, which reflects a constant rate of return.

Leases entered into by the Company as lessee are primarily operating leases.

#### **Contributed equity**

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

## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Impairment**

Lease receivables are subject to regular review and assessment for possible impairment. A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

#### *Investments in subsidiaries*

Investments in subsidiaries are reviewed annually for indicators of impairment or more frequently if 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 investment's carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use).

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

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or Company of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### **Earnings per share**

Basic earnings per share is determined by dividing the Consolidated Entity's operating result after income tax attributable to members by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share by taking into account amounts paid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Fair value measurement**

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Company.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Company uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

#### **Goods and Service Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the Tax Office. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Recoverable and payables in the statement of financial position are shown inclusive of GST and VAT.

Cash flows are presented in the Statement of Cash Flow on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

#### **Exploration expenditure**

Direct costs associated with Exploration and Evaluation activities are expensed to the profit and loss as incurred.



## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **2. Summary of Significant Accounting Policies (continued)**

#### **New Accounting Standards and interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

##### *AASB 16 Leases*

AASB 16 will replace AASB 117 Leases. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting would largely remain unchanged. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Consolidated Entity will first apply AASB 16 in the financial year beginning 1 July 2019. The Consolidated Entity is currently assessing the impact of the new requirements on the consolidated financial statements.

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## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Exploration and development expenditure*

Exploration, evaluation and development expenditures incurred are expensed in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

#### *Leases*

##### *Initial recognition*

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. The lease payment receivable is treated by the lessor as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

The Consolidated Entity's China subsidiary, Shanghai Chen Mao Financial Lease Co Ltd 'Chen Mao', is in the business of providing finance leases in China. Chen Mao recognises assets held under a finance lease in the statements of financial position and present them as a receivable at an amount equal to the net investment in the lease.

Initial direct costs are incurred by Chen Mao include amounts such as commissions and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

##### *Subsequent measurement*

A lessor aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

An asset under a finance lease that is classified as held for sale (or included in a disposal Consolidated Entity that is classified as held for sale) in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* shall be accounted for in accordance with that Standard.

Please see note 10 to the Consolidated Financial Statements for further information on the lease receivable as at the balance sheet date.

# Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 4. Operating segments

#### Identification of reportable operating segments

Management has determined that the Consolidated Entity has two reportable geographical segments, being mineral exploration in Australia and financial leasing in China. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Consolidated Entity mainly on its leasing activities and ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date. Geographical segments are determined by distinguishable components whereby the risk and returns are different from the other segments.

#### Types of products and services

Exploration / Australia The Exploration segment comprising Dynasty Resources Limited (the Company) is involved in exploration and evaluation of mineral licences.

Financial Lease / China The Financial Leasing segment comprising U.S.A. Nongbiao Puruina Consolidated Entity Agricultural Holding Limited as the 75% shareholder of Shanghai Chen Mao Finance Lease Co., Ltd which is involved in providing financial leasing services in China

#### Intersegment transactions

Dynasty contributed funds totalling AUD\$3.71 million up to 30 June 2019 to Chen Mao (through Nong Biao) to support the ongoing development of its financial leasing business in China (30 June 2018: A\$3.71 million).

The Non-Minority Shareholder contributed \$2,055,370 up to 30 June 2019 (30 June 2018: \$2,055,370).

#### Intersegment receivables, payables and loans

There are no intersegment receivables, payables or loans at the reporting date.

	2019			2018		
	Exploration	Financial Lease	Total	Exploration	Financial Lease	Total
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Lease interest*	-	951,267	951,267	-	806,549	806,549
Interest income	9,225	-	9,225	15,017	-	15,017
Other income	105,500	-	105,500	105,026	-	105,026
Earnings/(Loss) before interest, tax, depreciation and amortisation	16,294	(1,089,560)	(1,073,266)	33,634	(57,055)	(23,421)
Interest income	9,225	-	9,225	15,017	-	15,017
Depreciation and amortisation expense	(392)	(10,337)	(10,729)	(12,456)	(18,695)	(31,151)
Corporate expenses	-	-	(518,599)	-	-	(615,930)
<b>Net profit/(loss) before income tax expense</b>	25,127	(1,099,897)	(1,593,369)	36,196	(75,750)	(655,484)
Income tax benefit	-	265,005	265,005	-	22,543	22,543
<b>Net profit/(Loss) after income tax expense</b>	25,127	(834,892)	(1,328,364)	36,196	(53,207)	(632,941)
Segment assets	712,696	6,894,221	7,606,917	1,274,607	7,076,704	8,351,311
Segment liabilities	19,888	1,611,763	1,631,651	25,777	1,028,919	1,054,696

2019 \* Key Customers: Shanghai Peixin Transportation & Services Co. Ltd, revenue of \$185,451 (30 June 2018: \$302,088) recognised. Shanghai Kangxin Technology & Development Co. Ltd, revenue of \$235,651 recognised (30 June 2018: 138,970). Shanghai Yikangwei Electronics Co. Ltd, revenue of \$257,508 was recognised (30 June 2018: \$111,065).

## Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

### Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

#### 5. Revenue

	2019	2018
	\$	\$
Revenue – finance lease income	951,267	806,549
	<b>951,267</b>	<b>806,549</b>

#### 6. Other Income

	2019	2018
	\$	\$
Tenement income	66,000	100,000
Interest income	9,225	15,017
Gain on disposal of Property, plant & equipment	1,954	-
Other income	61,515	-
VAT refund	-	5,026
	<b>138,694</b>	<b>120,043</b>

#### 7. Administration and occupancy expenses

	2019	2018
	\$	\$
Administrative expenses <sup>1</sup>	186,433	224,399
Impairment loss from expected credit losses	1,832,932	661,492
Listing, Compliance and Registry fee	38,062	43,522
Insurance expenses	30,889	19,177
Directors and employee benefits expenses	258,325	265,295
Professional and legal fees	135,794	198,579
Occupancy expenses	98,110	90,792
	<b>2,580,545</b>	<b>1,503,256</b>

<sup>1</sup> including depreciation of:

	10,729	31,151
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## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 8. Income Tax Expense

	2019 \$	2018 \$
<b>The components of income tax (benefit) / expense comprise of:</b>		
<b><i>Recognised in income statement:</i></b>		
Current tax	142,866	142,834
Deferred tax – origination and reversal of temporary differences	(407,871)	(165,377)
Aggregate income tax (benefit) / expense	(265,005)	(22,543)
<b><i>Reconciliation of income tax expense to statutory income tax:</i></b>		
Loss before tax from continuing operation in Australia	(493,473)	(579,734)
(Loss) / Profit before tax from continuing operation in China	(834,891)	(53,207)
	(1,328,364)	(632,941)
<b>Prima facie tax on loss from ordinary activities before income tax at Australian tax rate 27.5% (2018: 27.5%)</b>	(365,300)	(174,059)
Tax effect of:		
-Non-assessable income	4,136	7,685
-Non-deductible expenses	(4,193)	-
-People's Republic of China Tax refund	-	-
-Tax effect of different tax rates (China 25%)	(20,872)	(1,330)
-Deferred tax assets, arising from tax losses not recognised as recoverability is not probable	121,224	145,161
Income tax expense/(benefit)	(265,005)	(22,543)
<b><i>Unrecognised carried forward tax losses</i></b>		
Tax losses (Taxation Benefit)	7,016,815	6,523,342
<b><i>Tax Payable</i></b>		
Provision for tax payable	146,225	42,466
<b><i>Deferred Tax Asset</i></b>		
Arising from temporary timing differences	595,996	173,730

Carried forward tax losses have not been recognised because it is not considered probable that future taxable profit will be available against which the Company can utilise the benefits therein.

The Company is subject to the income tax law of Australia and its subsidiaries, U.S.A. Nongbiao Puruina Group Agricultural Holding Limited and Shanghai Chen Mao Finance Lease Co., Ltd are subject to the income tax law of Hong Kong (16.5%) and People's Republic of China (25%) respectively.

## Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

### Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

#### 9. Cash and Cash Equivalents

	2019 \$	2018 \$
Cash at bank	736,065	1,333,064

#### 10. Trade and Other Receivables

	2019 \$	2018 \$
<i>Current</i>		
Finance lease receivable	8,758,876	6,938,054
Other receivable	-	-
Provision for bad debts	(2,584,985)	(694,920)
	6,173,891	6,243,134
<i>Non-current</i>		
Lease receivable	40,218	323,307
	40,218	323,307
<b>Total trade and other receivables</b>	6,214,109	6,566,441
<b>Gross investment in finance leases receivable:</b>		
Less than one year	8,992,133	7,287,304
Between one and five years	41,438	449,326
<b>Total gross investment</b>	9,033,571	7,736,630
Unearned finance income	(234,477)	(475,269)
<b>Net investment in finance leases</b>	8,799,094	7,261,361
Less Provision for bad debts	(2,584,985)	(694,920)
<b>Total</b>	6,214,109	6,566,441
<b>Present value of future minimum lease payments receivable:</b>		
Less than one year	8,758,876	6,938,054
Between one and five years	40,218	323,307
<b>Total net investment</b>	8,799,094	7,261,361

Information about the Consolidated Entity's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in note 22

# Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 11. Financial Assets

	2019 \$	2018 \$
Financial assets*	29,040	97,538
Investment in Goldstone Resources Pty Ltd	1	1
	<u>29,041</u>	<u>97,539</u>

Financial assets are the Company's investment in equity of listed entities. These Level 1 assets are measured at their fair value applying the closing market rate on the reporting dates. Investments at reporting date represent 440,000 ordinary equity shares in Aeris Resources Limited (2018: 3,751,467 in Argonaut Resources NL).

	2019 \$	2018 \$
<i>Reconciliation of the fair values of financial assets at the beginning and end of the current and previous financial year are set out below:</i>		
Opening fair value	97,538	25,461
Disposals	(84,353)	-
Additions	84,579	6,999
Impairment (write-off)/revaluation gain recognised in equity	(68,724)	65,079
Closing fair value	<u>29,040</u>	<u>97,539</u>

The investment in Goldstone Resources Pty Ltd is measured at fair value through profit and loss.

	Percentage interest 2019	Percentage interest 2018
Information relating to the investment is set out below:		
Goldstone Resources Pty Ltd	16.0%	16.0%

### 12. Property, Plant and Equipment

	2019 \$	2018 \$
<b>Plant and equipment</b>		
At cost	241,165	273,855
Accumulated depreciation	(214,239)	(210,378)
	<u>26,926</u>	<u>63,477</u>
<b>Movement in Carrying amount</b>		
<b>Cost</b>		
Balance bought forward	273,855	268,162
Disposals	(33,443)	-
Foreign Exchange movement	753	5,693
Balance carried forward	<u>241,165</u>	<u>273,855</u>
<b>Accumulated depreciated</b>		
Balance bought forward	210,378	178,328
Charge for the year	10,779	31,151
Disposals	(7,436)	-
Foreign Exchange movement	518	899
Balance carried forward	<u>214,239</u>	<u>210,378</u>
Net book value	<u>26,926</u>	<u>63,477</u>

## Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

### Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

#### 13. Trade and Other Payables

	2019	2018
	\$	\$
<i>Current</i>		
Trade payables and accruals	64,584	37,166
GST, VAT payable	10,020	3,779
Payable to related parties – Director of Subsidiary entity <sup>1</sup>	27,337	-
	<u>101,941</u>	<u>40,945</u>

<sup>1</sup> The subsidiary Nong Biao received a cash loan during the year from a Director. The loan is unsecured, interest free and repayable on demand.

#### 14. Deposits received

	2019	2018
	\$	\$
<i>Current</i>		
Security bond	1,347,854	950,463
<i>Non-current</i>		
Security bond	35,631	20,822
Total security bond	<u>1,383,485</u>	<u>971,285</u>

#### 15. Contributed Equity

	2019		2018	
	Nos.	\$	Nos.	\$
Ordinary shares fully paid	506,326,341	25,589,970	506,326,341	25,589,970
<i>Movement of ordinary shares on issue:</i>				
Opening balance at the beginning of the period	506,326,341	25,589,970	506,326,341	25,589,970
Closing balance at the end of the year	<u>506,326,341</u>	<u>25,589,970</u>	<u>506,326,341</u>	<u>25,589,970</u>

Ordinary shares participate in the dividends and proceeds on winding up of the Company in proportion to the number of shares held and are entitled to one vote per share at general meetings of the Company. In the event of winding up of the Company, ordinary shareholders rank after unsecured creditors.

As at 30 June 2019 and 2018:

- All shares are fully paid
- Company shares do not have a par value
- There are no treasury shares held
- No shares are reserved for issue under options or other contracts

#### Capital Management Policy

The Consolidated Entity's policy is to effectively manage its capital structure so that it would continue to operate as a going concern. The Company manages its contributed equity and reserves as part of its capital.

As is similar with many other exploration companies, the operational requirements of the Consolidated Entity are funded through equity raised in various tranches. The overall capital management policy of the Consolidated Entity remains unchanged and is consistent with prior years



# Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 16. Earnings per share

	2019 \$	2018 \$
Loss after income tax attributable to the owners of Dynasty Resources Limited	(1,119,641)	(627,454)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	506,326,341	506,326,341
Basic and diluted loss per share (cents)	(0.22)	(0.12)

### 17. Foreign currency translation reserves

	2019 \$	2018 \$
<b>Foreign currency translation reserve<sup>1</sup></b>		
Balance at the beginning of the financial year	45,315	(325,569)
Exchange differences on translation of foreign operations net of tax	62,552	370,884
<b>Balance at the end of the financial year</b>	<b>107,867</b>	<b>45,315</b>

<sup>1</sup>The foreign currency translation reverse represents exchange differences arising from translation of the parent entity's wholly owned subsidiaries functional currencies (HKD & RMB) into the presentation currency of the Consolidated Entity (AUD).

### 18. Other Reserves

	2019 \$	2018 \$
<b>Statutory reserve<sup>1</sup></b>		
Balance at the beginning of the financial year	77,770	39,745
Movement	(16,527)	38,025
<b>Balance at the end of the financial year</b>	<b>61,243</b>	<b>77,770</b>
<b>Unrecognised gain on asset reserve</b>		
Balance at the beginning of the financial year	65,079	-
Movement	(55,537)	65,079
<b>Balance at the end of the financial year</b>	<b>9,542</b>	<b>65,079</b>
<b>Share application reserve</b>		
Balance at the beginning of the financial year	(137)	(137)
Share application reserve	-	-
<b>Balance at the end of the financial year</b>	<b>(137)</b>	<b>(137)</b>
<b>Acquisition reserve</b>		
Balance at the beginning of the financial year	(2,495)	(2,495)
Share application reserve	-	-
<b>Balance at the end of the financial year</b>	<b>(2,495)</b>	<b>(2,495)</b>
<b>Total reserves</b>	<b>68,153</b>	<b>140,217</b>

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 19. Reconciliation of profit after income tax to net cash flows from operating activities

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(1,328,364)	(632,941)
Adjustments for:		
Doubtful debts expense	1,832,932	661,492
Depreciation	10,729	31,151
Gain on disposal of assets	15,141	-
Foreign exchange differences	48,943	278,508
Change in operating assets & liabilities:		
(Increase)/Decrease in trade and other receivables	(1,480,362)	(3,610,817)
(Increase)/Decrease in other assets	112,275	(117,055)
Increase in deferred tax asset	(422,266)	(164,673)
Decrease in trade and other payables	60,997	(22,425)
Increase in deposits received	412,200	478,133
Increase/(Decrease) in taxation payable	103,759	33,856
Net cash outflow from operations	(634,016)	(3,064,771)

### 20. Commitments

#### Tenement commitments

In order to maintain an interest in the mining and exploration tenements in which the Company seeks to retain and does not intend to relinquish within the next 12 months, the Company is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. These obligations are not provided for in the financial report.

Outstanding exploration commitments for those tenements the Company does not intend to relinquish are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations):

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Payable within one year	26,457	178,674
After one year but within five years	43,945	714,696
	70,402	893,370

#### Non-cancellable operating leases

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Payable within one year	8,543	91,082
After one year but within five years	11,805	193,824
	20,348	284,906

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 20. Commitments (continued)

#### Capital commitments

##### *Leasing licence in China*

A condition of the business licence held by Chen Mao is that capital of US\$5 million be contributed within 10 years of the grant date, namely by 5 September 2024 (licence granted on 5 September 2014). This is pursuant to the *Measures for the Administration of Foreign-funded Lease Industry* (by reference to cl.7 and 9 and terms set out in Chen Mao's Articles). As at 30 June 2019, capital contributions to Chen Mao (including from the 25% minority shareholder) are approximately US\$3.57 million (AUD: \$3.71 million).

At 30 June 2019, the Consolidated Entity had no other capital commitments (2018: Nil).

### 21. Contingencies

At 30 June 2019, the Consolidated Entity had no contingencies (2018: Nil).

### 22. Financial Risk Management

The consolidated entity holds the following financial instruments at the end of the financial year.

	Note	2019 \$	2018 \$
<b>Financial assets at amortised cost:</b>			
Cash and cash equivalents	9	736,065	1,333,064
Other financial assets		4,780	117,060
Trade and other receivables <sup>(1)</sup>	10	6,214,109	6,566,441
<b>Financial assets at fair value:</b>			
Investments in shares	11	29,041	97,539
<b>Total</b>		<b>6,983,995</b>	<b>8,114,103</b>
<b>Total current</b>		<b>6,914,736</b>	<b>7,693,257</b>
<b>Total non-current</b>		<b>69,259</b>	<b>420,846</b>
<b>Financial liabilities at amortised cost:</b>			
Trade and other payables	13	101,941	40,945
<b>Total</b>		<b>101,941</b>	<b>40,945</b>

(1). The fair values are a close approximation of the carrying amounts on account of the short maturity cycle.

## **Notes to Consolidated Financial Statements (continued)**

**For the year ended 30 June 2019**

### **22. Financial Risk Management (continued)**

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

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Board identifies and evaluates the risks and takes appropriate measures to minimise the risk.

#### ***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

#### ***Fair value measurement note***

The carrying amounts of trade and other receivables and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 22. Financial Risk Management (continued)

*Commodity price risk:*

The Consolidated Entity is not currently exposed to the movement in market commodity prices as the Company continues to be an explorer.

*Market risk*

*Foreign currency risk*

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity is mainly exposed to fluctuations in Chinese Yuan and Hong Kong Dollar through its operations (both overseas and in Australia). The consolidated entity's foreign exchange risk is managed to ensure sufficient funds are available to meet both Australia and Chinese financial commitments in a timely and cost effective manner.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2019 currency	2018 currency	2019 currency	2018 currency
Chinese Renminbi	33,231,731	32,908,516	7,625,359	52,485
Hong Kong Dollars	78,551	56,678	165,000	15,000

Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2018: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the consolidated entity's loss before tax for the year would have been impacted, as set out below. A movement in the Chinese Yuan and Hong Kong Dollar of 10% is considered reasonably possible given recent movements and the current economic forecasts.

Consolidated	2019 Impact on profit/equity		2018 Impact on profit/equity	
	-10%	10%	-10%	10%
<b>Trade and other receivables</b>				
Chinese Renminbi	622,013	(622,013)	606,866	(606,866)
<b>Cash and cash equivalents</b>				
Chinese Renminbi	5,590	(5,590)	13,758	(13,758)
Hong Kong Dollars	1,400	(1,400)	976	(976)

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual realised foreign exchange loss for the year ended 30 June 2019 was \$nil (2018: loss \$nil).

*Price risk*

The consolidated entity is not exposed to any significant price risk.

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 22. Financial Risk Management (continued)

#### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity's leasing operation has a strict code of credit, including agency credit information, confirming references and setting appropriate credit limits. The Consolidated Entity's financial assets classified as lease receivables described as "trade and other receivables" is considered to be the main source of credit risk related to the Consolidated Entity.

On a geographical basis, the Controlled entity ("Chen Mao") is exposed to credit risk through its normal operating activities primarily through finance leasing activities in China. The Consolidated Entity's exposure to credit risk for receivables at the end of the reporting period in China is as follows:

#### Credit risk:

##### Financial assets classified as lease receivables in China

	2019 \$	2018 \$
<i>Trade and other receivables</i>		
<i>total current</i>	6,173,891	6,243,134
<i>total non-current</i>	40,218	323,307
<i>Total financial assets classified as lease receivables</i>	<b>6,214,109</b>	<b>6,566,441</b>

As at 30 June 2018, the ageing of the Consolidated Entity's finance lease receivables that were not impaired was as follows:

	2019 \$	2018 \$
<i>Finance lease receivables</i>		
<i>Neither past due nor impaired</i>	4,948,464	3,868,038
<i>Past due 1 – 30 days</i>	475,922	-
<i>Past due 31 – 90 days</i>	208,740	1,410,658
<i>Past due 91 – 120 days</i>	102,901	-
<i>Past due 121 + days</i>	478,082	1,287,745
<i>Total</i>	<b>6,214,109</b>	<b>6,566,441</b>

Credit risk also exists in relation to the probable default of the financial institutions in honouring the cash and term deposit balances at maturity. However, this is considered to be low as the Consolidated Entity transacts with several highly reputed financial institutions both in Australia and in China which are subject to strict prudential norms by legislation / regulations.

#### Interest rate risk

Exposure to interest rate risk arises on financial assets recognised at the end of the financial year whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate instruments.

The financial instruments that primarily expose the Consolidated Entity to interest rate risk are cash and cash equivalents.

The Company's cash and term deposits with financial institutions are impacted by interest rate risks. Other receivables and payables have short maturities and are non-interest bearing. Management believes that the risk of interest rate movement would not have a material impact of the Company's operations.

The Company in Australia is in the business of exploration of mineral resources. Earning interest income is not the primary objective of the business in Australia. The Company does not have any debt obligations. Hence the management does not closely monitor the movements in market interest rates as these do not have material impact on Company's business activities. The cash balances and term deposits are placed at the prevailing short term market interest rates with credit worthy financial institutions.

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 22. Financial Risk Management (continued)

The Consolidated Entity, through its subsidiary Chen Mao, has the principal operation of financial leasing in China with the primary objective of earning interest income. Finance lease receivables are not subject to interest rate risk as they are fixed interest rate.

	<b>2019</b>		<b>2018</b>	
	<b>Weighted average</b>	<b>Balance</b>	<b>Weighted average</b>	<b>Balance</b>
	<b>interest rate</b>	<b>\$</b>	<b>interest rate</b>	<b>\$</b>
Consolidated	<b>%</b>		<b>%</b>	
Cash and cash equivalents	0.1%-0.3%	736,065	0.1%-0.3%	1,333,064
Borrowings	-	-	-	-
Net exposure to cash flow interest rate		<u>736,065</u>		<u>1,333,064</u>

A sensitivity of 0.5% increase and decrease in interest rates is considered reasonably possible given current economic indicators:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Impact on profit and equity - +0.5% movement	3,680	6,665
Impact on profit and equity - -0.5% movement	(3,680)	(6,665)

#### Liquidity risk:

The Consolidated Entity's liquidity risks arise from potential inability of the Consolidated Entity to meet its financial obligations as and when they fall due, generally due to shortage of cleared funds.

The Consolidated Entity is exposed to liquidity risk on account of trade and other payables. The Consolidated Entity manages its liquidity risk through continuously monitoring the cleared funds position; and by utilising short term cash budgets.

Cash and cash equivalents at the reporting date:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	736,065	1,333,064

#### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

## Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

### Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

#### 22. Financial Risk Management (continued)

The contractual maturity analysis of Consolidated Entity's financial instruments is noted below:

	Weighted average interest rate %	< 6 months \$	6-12 months \$	1-3 years \$	Total \$
<b>Consolidated - 2019</b>					
<b>Non-derivatives:</b>					
Non-interest bearing					
-Trade and other payables	-	101,941	-	-	101,941
Total non-derivatives	-	101,941	-	-	101,941
<b>Consolidated - 2018</b>					
<b>Non-derivatives:</b>					
Non-interest bearing					
-Trade and other payables	-	40,945	-	-	40,945
Total non-derivatives	-	40,945	-	-	40,945

#### Equity price risk:

Equity price risk is the risk that movement in fair value of Consolidated Entity's financial instruments will be affected by changes in market prices of equity instruments. The Consolidated Entity is exposed to this risk on account of its available-for-sale financial assets.

The Consolidated Entity's objective is to invest surplus cash in time deposits in order to remain highly liquid in preparation for future activities on its core tenements.

The sensitivity of the available for sale financial assets to a 10% change in market prices are noted below:

	2019 \$	2018 \$
Interest bearing cash and term deposits	736,065	1,333,064
Impact on profit and equity - +10% movement	73,606	133,306
Fair value financial assets	29,040	97,538
Impact on profit and equity - +10% movement	2,904	9,754
Impact on profit and equity - -10% movement	(2,904)	(9,754)

#### Fair value of financial instruments:

The following tables detail the entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Investments in shares	29,040	-	-	29,040
Total assets	29,040	-	-	29,040
There were no transfers between levels during the financial year				
2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Investments in shares	97,538	-	-	97,538
Total assets	97,538	-	-	97,538



## Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

### Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

#### 23. Auditors' Remuneration

During the financial year, the following fees were paid or payable for services provided by the auditors of the Consolidated Entity:

	2019 \$	2018 \$
-Audit and review of the consolidated financial statements by BDO East Coast Partnership	98,772	105,651
-Audit and review of the subsidiary financial statements by BDO China Shu Lun Pan CPA's LLP	23,206	24,870
	<b>121,978</b>	<b>130,521</b>

#### 24. Related Party Transactions

##### Parent entity

Dynasty Resources Limited is the parent entity.

##### Subsidiaries

Interests in subsidiaries are set out in note 26.

##### Key management personnel compensation

Disclosures relating to key management personnel are set out in the remuneration report included in the directors' report.

##### Compensation

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

	2019 \$	2018 \$
Short term Director and employee benefits	140,420	180,420
Other benefits	3,000	-
Post-employment employee benefits	5,740	5,740
Total benefits	<b>149,160</b>	<b>186,160</b>

##### Loans from Key management personnel and their related parties

During the year ended 30 June 2019 the Company did not enter into loans with key management personnel or their related parties.

##### Transactions with related parties

During the year the Company paid \$42,000 (30 June 2018: \$42,000) for Chief Financial Officer services from HK & Associates, an entity associated with William Hu.

Balances due to directors for fees and charges at 30 June 2019 was \$nil (2018:\$nil).

## Dynasty Resources Limited

Financial Report

For year ended 30 June 2019

### Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

#### 25. Parent Information

Set out below is the supplementary information about the legal parent entity, Dynasty Resources Limited.

	Parent	
	2019	2018
	\$	\$
<b>Statement of financial position</b>		
Current assets	670,667	1,176,675
Non-current assets	3,759,042	3,807,932
Total assets	4,429,709	4,984,607
Current liabilities	19,889	25,777
Non-current liabilities	-	-
Total liabilities	19,889	25,777
Net assets	4,409,820	4,958,830
<b>Equity</b>		
Issued capital	25,589,970	25,589,970
Accumulated losses	(21,187,060)	(20,693,587)
Reserves*	6,910	62,447
Total equity	4,409,820	4,958,830
<b>Statement of profit or loss and other comprehensive income</b>		
Loss after income tax expense	(493,473)	(579,734)
Other comprehensive income	(55,537)	65,079
Total comprehensive income	(549,010)	(514,655)

#### *Guarantees*

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

#### *Capital commitments*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

The parent entity has commitments of \$70,402 (30 June 2018: \$893,370) relating to minimum exploration expenditure on tenements. Refer Note 20 for further details.

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.

## Notes to Consolidated Financial Statements (continued)

For the year ended 30 June 2019

### 26. Interests in subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Consolidated Entity. The proportion of ownership interests held equals the voting rights held by the Consolidated Entity. Each subsidiary's principal place of business is also its country of incorporation.

Name of Entity	Principal place of business	Ownership Interest Held by the Consolidated Entity	
		2019 %	2018 %
U.S.A. Nongbiao Puruina Consolidated Entity Agricultural Holding Limited ('Nong Biao')	Hong Kong	100	100
Shanghai Chen Mao Finance Lease Co., Ltd ('Chen Mao')	Shanghai, China	75	75

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Consolidated Entity's financial statements.

Financial information in relation to Chen Mao (the Controlled Entity) is identical to the information disclosed in the financing leasing segment in China (refer to note 4).

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2:

### 27. Non-controlling Interest

Information about Chen Mao's material Non-Controlling Interest Shareholder:

Name of Shareholder	Principal Place of Business	Ownership Interest Held by the Consolidated Entity		Proportion of Non-controlling interests	
		2019 %	2018 %	2019 %	2018 %
Shanghai Hengyao Optical Technologies Ltd. Co. No.: 310226001082090 (Hengyao)	Shanghai, China	75	75	25	25

### 28. Events after the reporting period

On 22 July 2019 the Company received correspondence from the ASX informing it that ASX considers that the level of DMA's operations and its financial condition are not sufficient to warrant DMA's continued listing and that DMA is currently not in compliance with Listing Rules 12.1 and 12.2. In response to DMA's submission DMA announced on 21 August 2019 that it had received communication from the ASX that it must re-comply with Chapters 1 & 2 of the ASX Listing Rules to be reinstated to official quotation by 8 December 2019 (other than for a short extension which may be provided under the Listing Rules), failing which it will be removed from the Official List.

The Board understands the seriousness of this ASX communication. On 30 July 2019 the Board announced the resignation of Mr Lewis Tay, Executive Chairman, Managing Director and Mr Bin Wang, Non-Executive Director while announcing the appointment of William Hu, Non-Executive Chairman, Chief Financial Officer, and Peter Dillon Chief Operating Officer.

No other matters or circumstances have arisen between since the end of the reporting period and the date of this report that has significantly affected or may significantly affect the operations or the state of affairs of the Consolidated Entity in future financial years.

## **Directors' Declaration**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



**William Hu**  
**Non-Executive Chairman**

30 September 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of Dynasty Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Dynasty Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### Key audit matters

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

### Finance Lease receivables - Recoverability of finance lease receivables

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2019, the carrying value of finance lease receivable was \$6,214,109, including the provision of bad debts of \$2,584,985, as disclosed in note 10.</p> <p>As the finance lease receivable balance represents a significant asset of the Consolidated Entity and given that there is a significant amount overdue at year end, we considered it necessary to assess whether any facts or circumstances exist to suggest that the provision of bad debts determined by management at year end is adequate. There was significant judgement involved in the assessment, particularly given this was the first year applying AASB 9 Financial Instruments.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Critically assessed the recoverability of overdue debts, including those which have been and have not been provided against.</li> <li>• Performed testing on all overdue debts to subsequent cash receipts and assessed if further provision is required.</li> <li>• For all customers, assessed the recoverability of future lease payments, through considering current and future economic conditions for those customers.</li> <li>• Reviewed the terms and conditions of the lease agreement to assess the ability of the Consolidated Entity to recover the receivables in the event of default.</li> </ul>

## Revenue Recognition - Finance lease revenue

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As disclosed in note 2 of the financial report, the revenue recognition policy surrounding the treatment of finance lease income within the subsidiary Chen Mao required considerable auditor attention due to the complexities in applying AASB 117 - Leases. Income recognised from the leases amounted to \$951,267 for the year ended 30 June 2019. This is material to the financial statements.	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Developing an understanding of each lease contract and ensuring recognition is in accordance with AASB 117.</li> <li>• A review of all lease contracts was performed to ensure that they were correctly categorised as finance leases.</li> <li>• Re-calculation of a sample of leases to ensure that interest income was recorded in accordance with AASB 117 and the closing lease receivable balance was materially correct.</li> <li>• Reviewed of the accounting policy for compliance with AASB 117.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Corporate governance statement and Additional securities exchange information, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Corporate governance statement and Additional securities exchange information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the



financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

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

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Dynasty Resources Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

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

### **BDO East Coast Partnership**

The BDO logo, consisting of the letters 'BDO' in a stylized, handwritten font.

A handwritten signature in black ink, which appears to read 'Gareth Few'.

Gareth Few  
Partner

Sydney, 30 September 2019



## **Corporate Governance Statement**

**For the year ended 30 June 2019**

The Board of Directors of Dynasty Resources Limited are responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Corporate Governance Statement and the Appendix 4G Statement have been released to the ASX and can be found on the Company's website at [www.dynastyresources.com.au](http://www.dynastyresources.com.au) within the Corporate > Corporate Governance section.

## **Additional Securities Exchange Information**

### **Stock Exchange Listing**

Dynasty Resources Limited shares are listed on the Australian Securities Exchange (ASX: DMA). As at the date of this report trading in the Company's shares is suspended pending re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

The information is current as at 29 October 2019<sup>1</sup>.

*<sup>1</sup>On 8th December 2016 the ASX suspended the Company from official quotation after the ASX formed the view that the Company had breached Chapter 11 of the ASX Listing Rules.'*

*'On 21 August 2019 the company announced it had received correspondence from ASX that it must re-comply with Chapters 1 & 2 of the ASX Listing Rules by 8 December 2019 (other than for a short extension which may be provided for under the Listing Rules), failing which it will be removed from the Official List.'*

### **Registry**

Share registry functions are maintained by Security Transfer Registrars Pty Ltd and their details are as follows:

Security Transfer Registrars Pty Ltd  
Suite 1, Alexandria House  
770 Canning Highway  
Applecross WA 6153

Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

### **Substantial Shareholders**

The number of shares held by Substantial Shareholders and their associates are set out below:

<b>Substantial shareholders</b>	<b>No. shares held</b>	<b>% of issued shares</b>
Cyberstore Technology Ltd	203,899,300	40.27%

### **Distribution of shareholders**

<b>No. of shares held</b>	<b>No. of holders within category</b>
1 – 1000	45
1,001 – 5,000	64
5,001 – 10,000	98
10,001 – 100,000	361
100,001 and over	143
Total	711

At 29 October 2019, there were 144 shareholders holding less than a marketable parcel of ordinary shares.

### **Classes of shares and voting rights**

There is only one class of shares on issue and all shares carry equal voting rights.

### **Restricted securities**

There are no restricted securities or securities under voluntary escrow at the date of this report.

### **On-market buy back**

At the date of this report, the Company is not involved in an on-market buy-back.

**Dynasty Resources Limited**  
**Financial Report**  
**For the year ended 30 June 2019**

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**Additional Securities Exchange Information (continued)**

**Twenty largest shareholders**

The twenty largest registered shareholders of the Company as at 29 October 2019 were:

	<b>No. shares held</b>	<b>Issued shares</b>
CITICORP NOMINEES PTY LIMITED	243,106,891	48.01%
BNP PARIBAS NOMINEES PTY LTD	16,074,743	3.17%
SHANGHAI HYWOOD CAP MGNT	15,026,996	2.97%
TANG XIAO LEI	13,995,405	2.76%
HEBEI XINGHUA IRON & STEEL	11,652,197	2.30%
MR CHUNG CHIANG WU	10,000,000	1.98%
MR HAIRONG YUAN	9,901,827	1.96%
MR ZHIFANG ZHANG	9,121,736	1.80%
MR XINGBAI CUI	8,450,400	1.67%
CHENYI WANG	8,024,000	1.58%
MR LIAN XIE	8,000,000	1.58%
MR YAOMIN CHEN	8,000,000	1.58%
MR CHUNG JYE SU	7,100,000	1.40%
XIAOHUI XUE	7,000,000	1.38%
MS JIANHUI ZHU	5,750,000	1.14%
HSBC CUSTODY NOMINEES	5,500,000	1.09%
CHIU LAM	5,000,000	0.99%
MR JEN YU FU	5,000,000	0.99%
MR TSAN HSI WU	5,000,000	0.99%
NEW CENTURY INTERNATIONAL	4,292,000	0.85%
Top 20 Total	405,996,195	80%
Balance of Register	100,330,146	20%
Grand Total	506,326,341	100%