

1. Company details

Name of entity:	ASF Group Limited
ABN:	50 008 924 570
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	12.8% to	430
Loss from ordinary activities after tax attributable to the owners of ASF Group Limited	down	47.3% to	(5,795)
Loss for the half-year attributable to the owners of ASF Group Limited	down	47.3% to	(5,795)

Dividends

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

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to \$5,795,000 (31 December 2015: \$10,997,000).

Refer to 'Review of operations' in the Directors' Report for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.65)	0.45

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
China Coal Resources Pty Ltd	25.00%	25.00%	-	-
Rey Resources Limited	16.31%	18.29%	(50)	(595)
ActivEx Limited	18.80%	19.55%	(81)	(101)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(131)	(696)

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report, includes a separate paragraph regarding continued operations and future funding, is attached as part of the Interim Report.

6. Attachments

Details of attachments (if any):

The Interim Report of ASF Group Limited for the half-year ended 31 December 2016 is attached.

7. Signed

A handwritten signature in black ink, appearing to be 'Min Yang', written over a horizontal line.

Signed _____

Date: 27 February 2017

Min Yang
Chairman

ASF Group Limited

ABN 50 008 924 570

Interim Report - 31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ASF Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Ms Min Yang - Chairman
Mr Nga Fong (Alex) Lao
Mr Quan (David) Fang
Mr Wai Sang Ho
Mr Geoff Baker
Mr Yong Jiang
Mr Chi Yuen (William) Kuan
Mr. Louis Li Chien
Mr Xin Zhang (retired on 25 November 2016)

Principal activities

The Group is a Sino-Australian investment and trading house which focuses principally on the identification, incubation and realisation of opportunities in areas of synergy between China, Australia, UK and Europe including oil & gas, resources, property, infrastructure, travel and financial services sectors.

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$5,795,000 (31 December 2015: \$10,997,000).

Financial results and commentary

For the six months ended 31 December 2016, revenue from continuing operations of the Group was \$430,000 (31 December 2015: \$493,000). Sales and marketing of the Hope Island project in the Gold Coast continue to provide revenue contributions to the Group.

During the period, the Group disposed of a portion of its investment in Metaliko Resources Ltd (ASX:MKO) at an average price of \$0.064 per share and recognised a net gain on disposal of \$801,000, representing a profit of approximately 77% compared with the average cost of \$0.036 per share. In September 2016, Echo Resources Limited (ASX: EAR) announced an off-market takeover offer ('Offer') for all the shares in MKO, which had become unconditional in January 2017. As a result, the Group received 10,290,400 shares in EAR which have subsequently been sold at a price of around \$0.18 per share prior to the date of this report.

Consolidated loss after tax attributable to members of the Group amounted to \$5,795,000 (31 December 2015: \$10,997,000), which was mainly attributed to the following:

- Impairment of listed investment of \$1,930,000;
- Approximately \$1.3 million expended on potential projects in the UK and Europe;
- Write off of tenement assets of \$166,000;
- Share of losses of associates of \$131,000; and
- Interest expenses and other finance costs \$786,000.

Financial position

In September 2016, the company executed a convertible loan agreement with Star Diamond Developments Limited for a \$5 million convertible loan facility which has been fully drawn down by the company but not converted. On 5 December 2016, holders of the \$10 million unsecured convertible notes agreed to extend the maturity date from 31 December 2016 to 31 December 2017.

For the six months ended 31 December 2016, finance costs amounted to \$786,000 (31 December 2015: \$278,000) representing interest accrued on the convertible loan facilities.

Net assets as at 31 December 2016 was \$6,247,000, compared to \$12,447,000 at 30 June 2016. The decrease in net assets was predominantly due to:

- Additional impairment of listed investment of \$1,930,000; and
- Drawdown of additional convertible note facility of \$5,000,000.

During the financial year, the company bought back 225,970 shares for a cost of \$49,000. As of 31 December 2016, the Group maintained a cash balance of \$5,139,000.

Principal Investments

ActivEX Limited ('AIV')

AIV is an ASX listed mineral exploration company holding a number of prospective tenements, principally targeting copper-gold and gold mineralisation in Queensland. AIV also holds a potash project in Western Australia, which has an established resource and a granted mining lease.

As at 31 December 2016, the Group held 18.8% of the issued capital of AIV.

Rey Resources Limited ('REY')

REY is an ASX listed resource exploration and development company with a large tenement holding in the Canning Basin, Western Australia in oil & gas plus coal. The principal activity of REY is exploring for and developing energy resources in Western Australia's Canning Basin.

As at 31 December 2016, the Group held 16.3% of the issued capital of REY.

Key Petroleum Limited ('KEY')

KEY is an ASX listed Australian oil and gas operating company focused on exploration in conventional and unconventional projects in the North Perth and Canning Basins in Western Australia. Acreage within the Canning Basin portfolio consists of a number of exciting development and exploration opportunities.

As at 31 December 2016, the company, through its wholly owned subsidiary ASF Oil & Gas Holdings Pty Ltd, held 15.73% of the issued capital of KEY.

Metaliko Resources Limited ('MKO')

MKO holds a project portfolio located on, or adjacent to, the regional structures associated with the renowned major gold deposits of the Eastern Goldfields in Western Australia.

During the six-month period, the Group disposed of the majority of its interest in MKO and recognised a net gain on disposal amounting to \$801,000. As at 31 December 2016, the Group held 5.8% of the issued capital in MKO.

On 29 September 2016, EAR announced an off-market takeover offer ('Offer') for all the shares in MKO. Under the Offer, MKO shareholders who accept the Offer would receive 1 EAR share for every 2.5 MKO shares they held. The Offer became unconditional on 3 January 2017 and completion of the Offer took place on 13 January 2017. By accepting the Offer, the Group received 10,290,400 EAR shares which have subsequently been sold at a price of around \$0.18 per share prior to the date of this report.

Kaili Resources Limited ('KLR')

KLR is a resources exploration company which holds 1 Coal tenement in QLD, 2 Iron and 5 Gold tenements in Western Australia.

As of 31 December 2016, the Group held 2.24% of the issued capital of KLR.

Civil & Mining Resources Pty Ltd ('CMR')

Trading as CMR Coal, is a privately owned company with a substantial coal tenement portfolio in Queensland. CMR's tenements are located throughout all the major coal-bearing basins in Queensland and are situated in close proximity to operating mines, infrastructure and proven economic coal resources. The major assets of CMR comprise of 19 Exploration Permits for Coal (EPCs) and 1 Mineral Development Licence (MDL) in Queensland. CMR has successfully completed 42 boreholes on their key project Dawson West, with a total of 10210m drilled, geophysical logged selectively cored, sampled and analysed, which has confirmed export quality thermal coal resources with potentially mineable thickness seams extending into unexplored areas.

Following completion of the recent exploration program at Dawson West Project, EPC 2427, CMR Coal plans to continue field exploration southwards into EPC 2426 targeting the Moolaymeber Coals further east, west and south. Scope for significant increases in tonnage exists across substantial unexplored areas.

As at 31 December 2016, the company together with its subsidiary, ASF Resources Limited, held 68.97% of the issued share capital of CMR.

Minerals and resources

ASF Coal Pty Limited ('ASF Coal')

ASF Coal holds five (5) Exploration Permit's for Coal (EPCs) in South East Queensland, being EPC1861 (Mt Hope), EPC2094 (Glenrowan), EPC2110 (Cooyar Creek), EPC2208 (Taroom 2) and EPC1982 (McAllister). The tenements are current until 2018/2020 respectively.

ASF Coal is currently reviewing all coal tenements with a view to drill testing the highest priority targets in 2017/2018. The tenements are prospective for thermal coal associated with the Walloon Coal Measures.

ASF Copper Pty Ltd ('ASF Copper')

ASF Copper holds a single licence located on the West Coast of Tasmania near the small fishing village of Temma (EL44/2011) where limited historical drilling has intersected iron and copper mineralisation at relatively shallow depths. The licence is granted until 2 April 2017 and ASF Copper have a surficial geochemical/geophysical survey approved to further evaluate and extend the known copper/iron mineralisation.

Property marketing and services

ASF Properties Pty Ltd ('ASFP')

ASFP, a wholly-owned subsidiary of the company, continues to provide international property and marketing services to investors in Australia and China. It represents an important strategic platform for China-based investors to access the Australian real estate market.

Since 2015, ASFP has undertaken a development management role on a waterfront development project named 'The Peninsula, Hope Island' and situated at Hope Island, Gold Coast. The Peninsula Hope Island, which includes 45 House lots, 27 Town houses and 115 Apartments across three buildings, is Gold Coast's very last waterfront development released at the exclusive Hope Island Resort. The project is master planned by AECOM, a premier, fully integrated professional and technical services firm positioned to design, build, finance and operate infrastructure assets around the world for public and private-sector clients. ASFP is also working extensively on the project with a number of domestic professional companies relating to project management, architecture, land scaping and building etc. During the period, a marketing campaign has been launched and approximately 82% of the properties under Stage I, which comprises the housing lots, have been sold. Stage II of the project includes 17 town houses and one block of 40 apartments was also released. Currently, approximately 53% of the Stage II town houses have been sold, and 2 apartments were sold. It is expected that the project will continue to provide revenue contribution to ASFP in the year ahead.

Fund management and advisory services

ASF Capital Pty Ltd ('ASF Capital') facilitates the Group's core strategy of participating in the two-way capital flows between Australia and China. ASF Capital assists in providing services to selected Chinese businesses on matters such as public listing, investments and funds management in Australia.

Since May 2013, ASF Capital has been operating with an Australian Financial Services Licence ('AFSL') to assist Chinese groups in expanding their activities in Australia within the funds management sector. ASF Capital has capability to form tailor-made funds to capture a diverse array of investment opportunities (including certain infrastructure and real estate) for Chinese enterprises to participate in the Australian market.

ASF Capital formed a Venture Fund in which it will seek to make investments into Australian and overseas early stage innovative technologies and platforms. ASF Capital also can market selective international and domestic funds to the Australian investor markets.

ASF Capital is in discussion with strategic partners to develop a number of opportunities in fund management cooperation.

Gold Coast Integrated Resort, Queensland

ASF Consortium Pty Ltd ('ASF Consortium'), a wholly-owned subsidiary of the Group, continues to be the sole proponent to the Queensland Government for a proposed multi-billion dollar Gold Coast Integrated Resort ('GCIR') at the Main Beach area of the Gold Coast, Queensland, Australia.

On 4th August 2015, Minister Anthony Lynham announced an agreement between the State Government and ASF Consortium to commence the process for the development of GCIR on a five hectare site between SeaWorld and the Versace Hotel.

On 10th May 2016, as per the next phases of the IRD process, a Preliminary Detailed Proposal was submitted by ASF Consortium to the State responding to a request for a preliminary detailed proposal. Early June 2016, the Preliminary Detailed Proposal was approved by the State's assessment panel. ASF Consortium is currently awaiting the release of a Request for Detailed Proposal.

In December 2016, ASF Consortium unveiled with the support of the State Government of Queensland, its latest concept designs for the GCIR and communicated its many economic effects for the region in a public forum. At the same time, the State is undertaking a community consultation for the project and the areas surrounding the project site.

Albert Island, London

On 4 August 2016, the company announced that it had been selected as one of three final round bidders to proceed with the Invitation to Participate in Negotiation stage for the development of Albert Island, London, UK.

Albert Island, a 10 hectare site located in the Royal Docks, London Borough of Newham, is one of the last remaining sites to be proposed for development in the Royal Docks area, which is a location of strategic priority for the Mayor of London. The Group's vision is to build the Royal Eastern Gateway into a trade, cultural and marine hub to blend Eastern and Western trade and cultural links. It will be a place to showcase recognized Chinese products to the UK and European buyers and operate as a European hub for Sino-UK business to design, develop, distribute and wholesale manufactured goods on a Business-to-Business basis.

Continued operations and future funding

The attached financial statements detail the performance and financial position of the Group for the half-year ended 31 December 2016. It also contains an independent auditor's review report which includes a separate paragraph regarding continued operations and future funding. For further information, refer to note 2 to the financial statements, together with the independent auditor's review report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

The off-market takeover offer by Echo Resources Limited ('EAR') of all the shares in MKO became unconditional on 3 January 2017. As a result, the Group received 10,290,400 shares in EAR on 13 January 2017, which have subsequently been sold at a price of around \$0.18 per share prior to the date of this report.

In January 2017, the Group subscribed for an additional 4,375,000 fully paid ordinary shares in ActivEx Limited (ASX: AIV) at a price of \$0.08 per share. The Group's interest in the issued capital of AIV at the date of this report was 19.61%.

In February 2017, the Group subscribed for an additional 80,000,000 fully paid ordinary shares in Key Petroleum Ltd (ASX: KEY) at a price of \$0.004 per share. The Group's interest in the issued capital of KEY at the date of this report was 19.27%.

Prior to the date of this report, the company received an irrevocable commitment letter from Star Diamond Development Limited for the granting of \$10 million convertible loan facility. Formal Convertible Note Deed will be entered into between the parties when the convertible loan is drawn down in part or full.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Min Yang', written over a horizontal line.

Min Yang
Chairman

27 February 2017
Sydney

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**Auditor's Independence Declaration
To the Directors of ASF Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of ASF Group Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M R Leivesley
Partner - Audit & Assurance

Sydney, 27 February 2017

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General information

The financial statements are those of ASF Group Limited as a consolidated entity consisting of ASF Group Limited (the company) and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

ASF Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, 3B Macquarie Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2017. The directors have the power to amend and reissue the financial statements.

ASF Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



	Note	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue	4	430	493
Other income	5	982	111
Expenses			
Commission and fee expenses		(209)	(104)
Consultancy expenses		(1,911)	(756)
Marketing expenses		(251)	(108)
Employee benefits expense		(1,066)	(1,013)
Depreciation expense		(85)	(102)
Impairment of investments in associates	6	(1,930)	(5,596)
Impairment of assets	6	(169)	(1,271)
Net fair value movements on other financial assets	6	655	(345)
Legal and professional fees		(235)	(295)
Corporate and administration expenses		(581)	(574)
Occupancy expenses		(616)	(605)
Share of loss of associates	6	(131)	(696)
Finance costs	6	(786)	(278)
Loss before income tax expense		(5,903)	(11,139)
Income tax expense		-	-
Loss after income tax expense for the half-year		(5,903)	(11,139)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(244)	(133)
Other comprehensive income for the half-year, net of tax		(244)	(133)
Total comprehensive income for the half-year		(6,147)	(11,272)
Loss for the half-year is attributable to:			
Non-controlling interest		(108)	(142)
Owners of ASF Group Limited		(5,795)	(10,997)
		(5,903)	(11,139)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(108)	(142)
Owners of ASF Group Limited		(6,039)	(11,130)
		(6,147)	(11,272)
		Cents	Cents
Basic earnings per share	15	(0.96)	(1.82)
Diluted earnings per share	15	(0.96)	(1.82)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

		Consolidated	
	Note	31 Dec 2016 \$'000	30 June 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents		5,139	2,497
Trade and other receivables		225	181
Other		516	522
Total current assets		5,880	3,200
Non-current assets			
Other receivables		418	420
Investments accounted for using the equity method	7	4,334	6,395
Financial assets at fair value through profit or loss	8	2,680	4,426
Property, plant and equipment		436	502
Intangibles	9	16,193	15,639
Total non-current assets		24,061	27,382
Total assets		29,941	30,582
Liabilities			
Current liabilities			
Trade and other payables		1,207	1,443
Borrowings	10	17,239	16,608
Employee benefits		101	84
Total current liabilities		18,547	18,135
Non-current liabilities			
Borrowings	11	5,147	-
Total non-current liabilities		5,147	-
Total liabilities		23,694	18,135
Net assets		6,247	12,447
Equity			
Issued capital	12	101,654	101,703
Reserves		(1,081)	(833)
Accumulated losses		(93,019)	(87,224)
Equity attributable to the owners of ASF Group Limited		7,554	13,646
Non-controlling interest		(1,307)	(1,199)
Total equity		6,247	12,447

ASF Group Limited
Statement of changes in equity
For the half-year ended 31 December 2016



Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2015	101,883	(840)	(71,971)	(823)	28,249
Loss after income tax expense for the half-year	-	-	(10,997)	(142)	(11,139)
Other comprehensive income for the half-year, net of tax	-	(133)	-	-	(133)
Total comprehensive income for the half-year	-	(133)	(10,997)	(142)	(11,272)
<i>Transactions with owners in their capacity as owners:</i>					
Share buy-back	(126)	-	-	-	(126)
Change in non-controlling interests	-	-	-	4	4
Balance at 31 December 2015	<u>101,757</u>	<u>(973)</u>	<u>(82,968)</u>	<u>(961)</u>	<u>16,855</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	101,703	(833)	(87,224)	(1,199)	12,447
Loss after income tax expense for the half-year	-	-	(5,795)	(108)	(5,903)
Other comprehensive income for the half-year, net of tax	-	(244)	-	-	(244)
Total comprehensive income for the half-year	-	(244)	(5,795)	(108)	(6,147)
<i>Transactions with owners in their capacity as owners:</i>					
Change in non-controlling interests reserve	-	(4)	-	-	(4)
Share buy-back	(49)	-	-	-	(49)
Balance at 31 December 2016	<u>101,654</u>	<u>(1,081)</u>	<u>(93,019)</u>	<u>(1,307)</u>	<u>6,247</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	369	247
Payments to suppliers and employees (inclusive of GST)	(5,081)	(3,404)
Interest received	17	15
	<hr/>	<hr/>
Net cash used in operating activities	(4,695)	(3,142)
Cash flows from investing activities		
Payments for investments at fair value through profit and loss account	(2,700)	(438)
Proceeds from disposal of investments at fair value through profit and loss account	5,891	-
Payments for property, plant and equipment	(18)	(367)
Proceeds from disposal of property, plant and equipment	-	21
Payments for intangibles	(719)	(1,703)
	<hr/>	<hr/>
Net cash from/(used in) investing activities	2,454	(2,487)
Cash flows from financing activities		
Proceeds from borrowings	5,000	5,625
Payments for share buy-backs	(49)	(126)
Loans to related and other parties	-	(1,650)
	<hr/>	<hr/>
Net cash from financing activities	4,951	3,849
Net increase/(decrease) in cash and cash equivalents	2,710	(1,780)
Cash and cash equivalents at the beginning of the financial half-year	2,497	4,229
Effects of exchange rate changes on cash and cash equivalents	(68)	(15)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>5,139</u>	<u>2,434</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017.

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

Note 2. Continued operations and future funding

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors note the following results for the period and financial position at reporting date of the Group: net loss after income tax and non-controlling interest of \$5,795,000 (31 December 2015: \$10,997,000); net cash outflows from operating activities of \$4,695,000 (31 December 2015: \$3,142,000); net assets of \$6,247,000 (30 June 2016: \$12,447,000); and net current liabilities of \$12,667,000 (30 June 2016: \$14,935,000).

The ability of the Group to meet its commitments and to develop its projects (including realising profits thereon) is dependent upon the Group's ability in continuing to raise capital.

The directors have considered the following, in their assessment of going concern:

- cash is managed diligently to meet immediate business needs. The Group has a long and proven track record in raising capital via share placements, rights issues and convertible notes over the past 10 years most recently during June 2016 and September 2016;
- it is expected that the convertible notes, amounting to \$22,366,000, will convert to equity before their expiry and no cash outlay will be required;
- further capital raisings, or issues of convertible notes, are planned during the next 12 months, as needed;
- costs can be reduced if the forecast cash inflows and capital injections do not fully materialise; and
- cash flow forecasts (which include anticipated capital injections) for the 12 months from the date of issue of these financial statements project that the Group will be able to pay its debts as and when due.

In the unlikely scenario that the Group is not able to obtain additional capital as and when required, there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in these financial statements.

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2016. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

Note 3. Operating segments

Identification of reportable operating segments

The Group's operating segment is identified based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Group operates in only one segment, being an investment and trading house. The segment result is as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for assets and liabilities.

Note 4. Revenue

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
<i>Sales revenue</i>		
Commission revenue	244	262
Corporate services	169	192
	<u>413</u>	<u>454</u>
<i>Other revenue</i>		
Interest	17	39
	<u>430</u>	<u>493</u>

Note 5. Other income

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Net foreign exchange gain	181	111
Net gain on disposal of investments	801	-
	<u>982</u>	<u>111</u>

Note 6. Expenses

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Impairment</i>		
Impairment of investment in associates	1,930	5,596
Mining exploration and evaluation expenditures	166	1,254
Impairment of receivables	3	17
	<hr/>	<hr/>
Total impairment	2,099	6,867
<i>Share of loss of associates</i>		
Rey Resources Limited	50	595
ActivEx Limited	81	101
	<hr/>	<hr/>
Total share of loss of associates	131	696
<i>Net fair value movement on other financial assets</i>		
Key Petroleum Ltd (ASX: KEY)	(142)	283
Metaliko Resources Ltd (ASX: MKO)	(462)	117
Kaili Resources Limited (ASX: KLR)	(51)	(55)
	<hr/>	<hr/>
Total net fair value movement on other financial assets	(655)	345
<i>Finance costs</i>		
Interest and finance charges paid/payable	786	278
	<hr/>	<hr/>

Note 7. Non-current assets - investments accounted for using the equity method

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Rey Resources Limited (ASX: REY)	2,947	5,027
ActivEx Limited (ASX: AIV)	1,387	1,368
	<hr/>	<hr/>
	4,334	6,395
	<hr/> <hr/>	<hr/> <hr/>

Note 8. Non-current assets - financial assets at fair value through profit or loss

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Investment in Kaili Resources Limited (ASX: KLR)	108	57
Investment in Key Petroleum Ltd (ASX: KEY)	565	423
Investment in Metaliko Resources Ltd (ASX: MKO)	2,007	3,946
	<hr/>	<hr/>
	2,680	4,426
	<hr/> <hr/>	<hr/> <hr/>

Note 9. Non-current assets - intangibles

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Mining exploration and evaluation expenditures - at cost	5,123	5,088
Capitalised project costs - at cost	12,309	11,790
Less: Impairment	(1,239)	(1,239)
	<u>11,070</u>	<u>10,551</u>
	<u><u>16,193</u></u>	<u><u>15,639</u></u>

Note 10. Current liabilities - borrowings

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Convertible notes payable	17,219	16,588
Loan payable	20	20
	<u>17,239</u>	<u>16,608</u>

On 5 December 2016, the company agreed with relevant note holders to extend the maturity date of \$10,000,000 unsecured convertible notes from 31 December 2016 to 31 December 2017. The other terms and conditions on these convertible notes remain unchanged.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Convertible notes payable	<u>5,147</u>	<u>-</u>

On 15 September 2016, the company entered into a convertible loan agreement with Star Diamond Developments Limited ('Star Diamond') pursuant to which Star Diamond granted a convertible loan facility of \$5,000,000 to the company at an interest rate of 10% with maturity date of 31 December 2018. Interest is accrued and capitalised in the convertible notes payable balance.

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>603,445,873</u>	<u>603,671,843</u>	<u>101,654</u>	<u>101,703</u>

Note 12. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Average buy-back price	\$'000
Balance	1 July 2016	603,671,843		101,703
Share buy-back	1 July 2016 to 31 December 2016	<u>(225,970)</u>	\$0.22	<u>(49)</u>
Balance	31 December 2016	<u>603,445,873</u>		<u>101,654</u>

Share buy-back

During the period, the company bought back 225,970 shares at a cost of \$49,000. The buy-back program is expected to expire on 25 April 2017 and it is the company's present intention to extend the program for another year.

Note 13. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 14. Fair value measurement

The following tables detail the Group's assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investments at fair value through profit or loss	<u>2,680</u>	-	-	<u>2,680</u>
Total assets	<u>2,680</u>	-	-	<u>2,680</u>

Consolidated - 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investments at fair value through profit or loss	<u>4,426</u>	-	-	<u>4,426</u>
Total assets	<u>4,426</u>	-	-	<u>4,426</u>

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables 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.

Note 15. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Loss after income tax	(5,903)	(11,139)
Non-controlling interest	108	142
	<u>(5,795)</u>	<u>(10,997)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>603,577,768</u>	<u>604,012,434</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>603,577,768</u>	<u>604,012,434</u>
	Cents	Cents
Basic earnings per share	(0.96)	(1.82)
Diluted earnings per share	(0.96)	(1.82)

Note 16. Events after the reporting period

The off-market takeover offer by Echo Resources Limited ('EAR') of all the shares in MKO became unconditional on 3 January 2017. As a result, the Group received 10,290,400 shares in EAR on 13 January 2017, which have subsequently been sold at a price of around \$0.18 per share prior to the date of this report.

In January 2017, the Group subscribed for an additional 4,375,000 fully paid ordinary shares in ActivEx Limited (ASX: AIV) at a price of \$0.08 per share. The Group's interest in the issued capital of AIV at the date of this report was 19.61%.

In February 2017, the Group subscribed for an additional 80,000,000 fully paid ordinary shares in Key Petroleum Ltd (ASX: KEY) at a price of \$0.004 per share. The Group's interest in the issued capital of KEY at the date of this report was 19.27%.

Prior to the date of this report, the company received an irrevocable commitment letter from Star Diamond Development Limited for the granting of \$10 million convertible loan facility. Formal Convertible Note Deed will be entered into between the parties when the convertible loan is drawn down in part or full.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Min Yang', written over a horizontal line.

Min Yang
Chairman

27 February 2017
Sydney

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Independent Auditor's Review Report To the Members of ASF Group Limited

We have reviewed the accompanying half-year financial report of ASF Group Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ASF Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ASF Group Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty in relation to going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 of the financial statements that describes conditions which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent on it achieving sufficient profitability and operating cash flows to enable it to maintain working capital and the raising of additional share capital or borrowings in the future to support the working capital needs of the consolidated entity, when and if required.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M R Leivesley
Partner - Audit & Assurance

Sydney, 27 February 2017