

1. Company details

| | |
|-------------------|--|
| Name of entity: | ASF Group Limited |
| ABN: | 50 008 924 570 |
| Reporting period: | For the half-year ended 31 December 2015 |
| Previous period: | For the half-year ended 31 December 2014 |

2. Results for announcement to the market

| | | | \$'000 |
|---|----|-----------|----------|
| Revenues from ordinary activities | up | 101.2% to | 493 |
| Loss from ordinary activities after tax attributable to the owners of ASF Group Limited | up | 56.7% to | (10,997) |
| Loss for the half-year attributable to the owners of ASF Group Limited | up | 56.7% to | (10,997) |

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 \$10,997,000 (31 December 2014: \$7,020,000).

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 | 0.45 | 3.73 |

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% | - | (1) |
| Kaili International Resource Ltd* | - | 20.00% | - | - |
| Rey Resources Limited | 18.29% | 19.60% | (595) | (966) |
| ActivEx Limited | 19.55% | 19.55% | (101) | (46) |
| <i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i> | | | | |
| Profit/(loss) from ordinary activities before income tax | | | (696) | (1,013) |
| Income tax on operating activities | | | - | - |

*Entity de-registered in October 2015.

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, modified with an emphasis of matter 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 2015 is attached.

7. Signed

A handwritten signature in black ink, appearing to be 'Min Yang', written over a faint rectangular box.

Min Yang
Chairman

Date: 26 February 2016

ASF Group Limited

ABN 50 008 924 570

Interim Report - 31 December 2015

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 2015.

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 Xin Zhang
Mr Yong Jiang
Mr Chi Yuen (William) Kuan
Mr. Louis Chien

Principal activities

The Group is a diversified investment entity focused principally on the identification, incubation and realisation of specific opportunities, especially in the areas of oil and gas, resource, property, infrastructure, travel and financial services. The Group's strategy is to transform early-stage Australian investments into deliverable projects through joint venturing or other forms of co-operation with the Group's expanding network of major Chinese investment partners.

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$10,997,000 (31 December 2014: \$7,020,000).

Financial results and commentary

For the six months ended 31 December 2015, revenue from continuing operations of the Group was \$493,000 (31 December 2014: \$245,000). Increase in revenue was contributed by the increase in property marketing services during the period. With the launching of the Hope Island project in the Gold Coast, it is expected that property marketing services will continue to provide revenue contribution to the Group.

The Group was affected during the period due to the softening of the resources industry as well as volatility of the financial markets. As a result, the Group recorded significant impairment loss in the fair value of its investments in listed entities. Consolidated loss for the period after tax attributable to members of the Group amounted to \$10,997,000 (31 December 2014: \$7,020,000), which was attributed by the following:

- Impairment of listed investments of \$5,996,000;
- Share of losses of associates of \$696,000;
- Write off of tenement assets of \$1,254,000; and
- Interest expenses and other finance costs \$278,000.

Financial position

On 28 August 2015, the company issued unsecured convertible notes to a series of sophisticated investors for an aggregate principal amount of \$7,500,000. As of the date of this report, the facility has been fully drawn down and not as yet converted.

The company further announced in September 2015 that it had obtained an irrevocable commitment from Star Diamond Developments Limited for the granting of a standby convertible note facility of up to \$5,000,000, which secures additional source of funds for the company if required. As of the date of this report, the facility has not been drawn down.

For the six months ended 31 December 2015, finance costs amounted to \$278,000 (31 December 2014: \$384,000) which represented interest mainly on the convertible loan facilities.

Net assets as at 31 December 2015 was \$16,855,000, compared to \$28,249,000 at 30 June 2015. The decrease in net assets was predominantly due to:

- Decrease in the net fair value of listed investments of \$5,996,000;
- Increase in outstanding convertible loans (including interest) of approximately \$5,897,000; and
- Write off of tenement assets of \$1,254,000.

During the period, the company bought back 392,894 shares at a cost of \$126,000. The buy-back program is expected to expire in April 2016 and it is the company's present intention to extend the program.

As of 31 December 2015, the Group maintained a cash balance of \$2,434,000.

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.

On 3 February 2016, AIV announced that it has completed reconnaissance portable X-Ray Fluorescence (pXRF) soil geochemical surveys over its Mt Hogan tenement (EPM 18615). Attendant rock chip samples have been assayed returning exceptionally high grade gold and silver assays of up to 97.6g/t Au and 659g/t Ag at the Independence prospect north of Mt Hogan.

As of 31 December 2015, the Group maintains interest in 19.55% 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 both oil & gas and coal. The principal activity of REY is exploring for and developing energy resources in Western Australia's Canning Basin.

The Group holds approximately 18.29% of the issued share capital of REY as of 31 December 2015.

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 2015, the company, through its wholly owned subsidiary ASF Oil and Gas Holdings Pty Ltd, holds 19.54% of the issued capital of KEY.

Metaliko Resources Limited ('MKO')

MKO was incorporated in October 2010 with a focus on advanced stage gold exploration projects with identified gold mineralization and the potential for further significant discoveries. Its project portfolio is located in the Eastern Goldfields of Western Australia. The projects are located on, or adjacent to, the regional structures associated with the world class and major gold deposits of the Eastern Goldfields.

During the period, the Group further subscribed for 14.6 million entitlement shares and is now holding approximately 16.55% of the issued capital of MKO.

Kaili Resources Limited (formerly known as Omnitech Holdings Limited) ('KLR')

Following a successful capital raise, KLR was reinstated to official quotation on the ASX on 31 March 2015. KLR is a resources exploration company, which during the period held four coal tenements in Queensland and Western Australia.

As of 31 December 2015, the Group held an interest of 2.24% of the issued capital of KLR.

Civil & Mining Resources Pty Ltd ('CMR')

As at 31 December 2015, the company together with its subsidiary, ASF Resources Limited, held an aggregate of 68.97% of the issued share capital of CMR.

CMR is a coal exploration company incorporated in Queensland. The major assets of which comprise 25 Exploration Permits for Coal (EPCs) in Queensland. CMR offers a significant portfolio of prospective hard coking, PCI and thermal coal projects ranging from likelihood of immediate to longer-term development timeframes.

In November 2015, CMR announced that Mineral Development Licence (MDL) had been granted on its Dawson West Project (EPC2427), which covers an area of 6173 hectares within the Bowen Basin Queensland for a term of 5 years. CMR will commence intensive activities to determine the commercial viability of the significant Dawson West coal resource and aims to have the bulk sample pit operational by 2016-17.

CMR is currently reviewing its tenements with a view of relinquishing some of the non-core tenements.

Minerals and resources

China Coal Resources Pty Limited ('CCR')

CCR manages two joint ventures with the Group in Queensland and Tasmania.

In Western Australia, CCR relinquished the Dongara Project (E70/4403) located in the north Perth Basin 250km north of Perth. Following an internal company review it was determined the known coal seams were located at uneconomic depths and as such no further exploration expenditure was warranted.

In Tasmania, CCR manage one base metal project located in the north of the state (Wilmont). The project is currently being reviewed in light of historically encouraging field work with a view to further field work in 2016. Wilmont (E55/2207) is due for renewal in June 2016 and CCR are currently reviewing possible exploration plans for the project

In Queensland CCR manages 1 tenement at Somersford Creek (EPC2859). During the reporting period Nelgai Creek (EPC 2820) and Two Mile Creek (EPC 2821) projects were relinquished. CCR determined the historical coal intersections in Nelgai Creek and Two Mile Creek were at uneconomic depths and as such no further exploration expenditure was warranted. Evaluation at Somersford Creek is ongoing with a view to possible drill testing in 2016.

ASF Coal Pty Limited ('ASF Coal')

ASF Coal has 6 licences in SE Queensland. EPC 1508(Leyburn) was reduced in size from 107 blocks to 33 blocks and renewed until 16 May 2016. Further exploration is planned for the current licence, which will involve a full compilation of all historical drilling and possible drill testing of the western margin of the tenement where the Walloon Coal Measures are at depths of less than 50 metre.

The other ASF Coal tenements include EPC1861 (Mt Hope), EPC2094 (Glenrowan), EPC2110 (Cooyar Creek), EPC2208 (Taroom 2) and EPC1982 (McAllister) which was granted on the 23/04/2015 with the other tenements granted in 2013. ASF Coal is currently reviewing all tenements with a view to drill testing the highest priority targets in 2016.

Basin Coal Pty Limited ('Basin Coal')

Basin Coal had 1 licence (EL5270) which was located in the South Gippsland Region east of Melbourne. The licence expired on the 9 June 2015 and following an office and field appraisal, it was decided not to renew the licence. The location of the project in prime dairy cattle country combined with known coal seams generally less than 1 metre in thickness means the development of any coal project is very likely to be uneconomic.

ASF Metals Pty Limited ('ASF Metals')

ASF Metals relinquished its single tenement (EL14/2007) in Tasmania following extensive on ground surficial geochemical/geophysical work which failed to produce significant exploration results. ASF Metals is currently reviewing other base metal opportunities in Tasmania.

Austin Resources Pty Ltd ('Austin Resources')

Austin Resource holds a single licence near the northern Tasmanian town of Derby (EL23/2011) which is prospective for tin and gold in palaeoalluvial channels which have been mined historically. The licence expires on 12 September 2016 and Austin Resources currently have a gravity survey approved by the Tasmanian Government to explore for the location and depths of the tin/gold bearing palaeo alluvial channels.

ASF Copper Pty Ltd ('ASF Copper')

ASF Copper hold 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, landscaping and building etc. During the period, a marketing campaign has been launched and approximately 75% of the properties under Stage I, which comprises the housing lots, have been sold. Stage II of the project includes town houses and apartments and will be released shortly. 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 is to facilitate 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, investment and funds management in Australia.

As of 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 any number of 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 investment 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.

Gold Coast Integrated Resort, Queensland

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

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

ASF Consortium Pty Ltd is currently engaged with the Department of State Development on the corporate structure and feasibility of the project, the site masterplan and infrastructure solutions via a series of interactive workshops.

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 2015. It also contains an independent auditor's review report which includes an emphasis of matter. 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

As at 26 February 2016, the date of signing the financial statements, the share price of Rey Resources Limited has fallen to \$0.015 which equates to a fair value of investment of \$1,950,000. The carrying value of this investment in associate at the reporting date and reflected in the financial statements is \$5,200,000.

No other matter or circumstance has arisen since 31 December 2015 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order 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 on the following page.

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

26 February 2016
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 2015, 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



L M Worsley
Partner - Audit & Assurance

Sydney, 26 February 2016

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General information

The financial statements cover ASF Group Limited as a Group 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 26 February 2016. 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 2015



| | Note | Consolidated 31 Dec 2015 \$'000 | 31 Dec 2014 \$'000 |
|--|------|---------------------------------------|-----------------------|
| Revenue | 4 | 493 | 245 |
| Other income | | 111 | - |
| Expenses | | | |
| Commission and fee expenses | | (104) | (8) |
| Consultancy expenses | | (756) | (2,686) |
| Marketing expenses | | (108) | (84) |
| Employee benefits expense | | (1,013) | (1,471) |
| Depreciation and amortisation expense | | (102) | (17) |
| Impairment of investments in associates | 5 | (5,596) | - |
| Impairment of assets | 5 | (1,271) | (123) |
| Net fair value movements on other financial assets | 5 | (345) | (452) |
| Legal and professional fees | | (295) | (304) |
| Corporate and administration expenses | | (574) | (701) |
| Occupancy | | (605) | (328) |
| Share of loss of associates | 5 | (696) | (1,013) |
| Finance costs | 5 | (278) | (384) |
| Loss before income tax expense | | (11,139) | (7,326) |
| Income tax expense | | - | - |
| Loss after income tax expense for the half-year | | (11,139) | (7,326) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | (133) | 130 |
| Other comprehensive income for the half-year, net of tax | | (133) | 130 |
| Total comprehensive income for the half-year | | <u>(11,272)</u> | <u>(7,196)</u> |
| Loss for the half-year is attributable to: | | | |
| Non-controlling interest | | (142) | (306) |
| Owners of ASF Group Limited | | (10,997) | (7,020) |
| | | <u>(11,139)</u> | <u>(7,326)</u> |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | (142) | (306) |
| Owners of ASF Group Limited | | (11,130) | (6,890) |
| | | <u>(11,272)</u> | <u>(7,196)</u> |
| | | Cents | Cents |
| Basic earnings per share | 15 | (1.82) | (1.36) |
| Diluted earnings per share | 15 | (1.82) | (1.36) |

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

| | | Consolidated | |
|---|------|-----------------------|-----------------------|
| | Note | 31 Dec 2015 \$'000 | 30 Jun 2015 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 2,434 | 4,229 |
| Trade and other receivables | | 292 | 101 |
| Other | 6 | 2,195 | 537 |
| Total current assets | | <u>4,921</u> | <u>4,867</u> |
| Non-current assets | | | |
| Other receivables | | 463 | 339 |
| Investments accounted for using the equity method | 7 | 6,625 | 12,917 |
| Other financial assets - at fair value through profit or loss | 8 | 3,000 | 2,907 |
| Property, plant and equipment | | 598 | 356 |
| Intangibles | 9 | 14,133 | 13,684 |
| Total non-current assets | | <u>24,819</u> | <u>30,203</u> |
| Total assets | | <u>29,740</u> | <u>35,070</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,078 | 942 |
| Borrowings | 10 | 11,716 | 5,819 |
| Employee benefits | | 91 | 60 |
| Total current liabilities | | <u>12,885</u> | <u>6,821</u> |
| Total liabilities | | <u>12,885</u> | <u>6,821</u> |
| Net assets | | <u>16,855</u> | <u>28,249</u> |
| Equity | | | |
| Issued capital | 11 | 101,757 | 101,883 |
| Reserves | | (973) | (840) |
| Accumulated losses | | (82,968) | (71,971) |
| Equity attributable to the owners of ASF Group Limited | | <u>17,816</u> | <u>29,072</u> |
| Non-controlling interest | | (961) | (823) |
| Total equity | | <u>16,855</u> | <u>28,249</u> |

ASF Group Limited
Statement of changes in equity
For the half-year ended 31 December 2015



| Consolidated | Issued capital \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|--|----------------------------------|----------------------------|--------------------------------------|--|--------------------------------|
| Balance at 1 July 2014 | 73,029 | 2,686 | (57,745) | 329 | 18,299 |
| Loss after income tax expense for the half-year | - | - | (7,020) | (306) | (7,326) |
| Other comprehensive income for the half-year, net of tax | - | 130 | - | - | 130 |
| Total comprehensive income for the half-year | - | 130 | (7,020) | (306) | (7,196) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 21,574 | - | - | - | 21,574 |
| Share buy-back | (44) | - | - | - | (44) |
| Change in non-controlling interests | - | (24) | - | 356 | 332 |
| Balance at 31 December 2014 | <u>94,559</u> | <u>2,792</u> | <u>(64,765)</u> | <u>379</u> | <u>32,965</u> |
| 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> |

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

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 247 | 1,185 |
| Payments to suppliers and employees (inclusive of GST) | (3,404) | (3,834) |
| Interest received | 15 | 37 |
| Interest and other finance costs paid | - | (206) |
| | <hr/> | <hr/> |
| Net cash used in operating activities | (3,142) | (2,818) |
| Cash flows from investing activities | | |
| Payments for investments at fair value through profit and loss account | (438) | (666) |
| Payments for investment in associates | - | (2,300) |
| Payments for property, plant and equipment | (367) | (9) |
| Payments for intangibles | (1,703) | (6,523) |
| Proceeds from disposal of property, plant and equipment | 21 | - |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (2,487) | (9,498) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 5,625 | - |
| Proceeds from issue of shares | - | 16,150 |
| Payments for share buy-backs | (126) | (44) |
| Repayment of loan payable | - | (1,921) |
| Loans to related and other parties | (1,650) | - |
| | <hr/> | <hr/> |
| Net cash from financing activities | 3,849 | 14,185 |
| Net increase/(decrease) in cash and cash equivalents | (1,780) | 1,869 |
| Cash and cash equivalents at the beginning of the financial half-year | 4,229 | 2,309 |
| Effects of exchange rate changes on cash and cash equivalents | (15) | 95 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial half-year | <u>2,434</u> | <u>4,273</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 2015 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 2015 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, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. 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 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016.

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

Comparatives

Comparatives in the statement of profit or loss and other comprehensive income and the notes to the financial statements have been realigned to current period presentation. There has been no effect on loss for the period.

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 Group incurred losses after income tax and non-controlling interest of \$10,997,000 (31 December 2014: \$7,020,000); net cash outflows from operating activities of \$3,142,000 (31 December 2014: \$2,818,000) and net cash outflows from investing activities of \$2,487,000 (31 December 2014: \$9,498,000) for the half-year ended 31 December 2015. Net assets of the Group as at 31 December 2015 were \$16,855,000, compared to \$28,249,000 at 30 June 2015.

The continuing viability of the Group to meet its commitments and to develop its projects or dispose of them for a profit is dependent upon the Group's ability to continue to raise capital. The directors have considered the following in their assessment of future funding of the Group:

- The Group manages cash diligently to meet immediate business needs. The Group has a proven track record in raising capital via share placements, rights issues and convertible notes over the past 10 years, most recently during August and September 2015; and
- Budgets for the 12 months from the date of issuance of these financial statements project that the Group will be able to pay its debts as and when due, however in the event that expected revenues and capital raisings do not fully materialize, the Group would reduce its overhead costs as appropriate.

The directors are of the opinion that the Group will continue to obtain additional capital when business requires and accordingly have prepared the financial statements on a going concern basis.

Should the Group not be able to obtain additional capital as and when required, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.

Note 2. Continued operations and future funding (continued)

At this time, 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 2015. 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 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 2015 | 31 Dec 2014 |
| | \$'000 | \$'000 |
| <i>Sales revenue</i> | | |
| Commission revenue | 262 | 13 |
| Fund management and advisory service | - | 105 |
| Corporate services | 192 | 89 |
| | <u>454</u> | <u>207</u> |
| <i>Other revenue</i> | | |
| Interest | 39 | 37 |
| Other revenue | - | 1 |
| | <u>39</u> | <u>38</u> |
| Revenue | <u><u>493</u></u> | <u><u>245</u></u> |

Note 5. Expenses

Consolidated
31 Dec 2015 31 Dec 2014
\$'000 \$'000

Loss before income tax includes the following specific expenses:

Impairment

| | | |
|--|-------|-------|
| Impairment of investment in associates | 5,596 | - |
| Mining exploration and evaluation expenditures | 1,254 | 119 |
| Impairment of receivables | 17 | 4 |
| | <hr/> | <hr/> |
| Total impairment | 6,867 | 123 |

Share of loss of associates

| | | |
|-----------------------------------|-------|-------|
| China Coal Resources Pty Ltd | - | 1 |
| Rey Resources Limited | 595 | 966 |
| ActiveEx Limited | 101 | 46 |
| | <hr/> | <hr/> |
| Total share of loss of associates | 696 | 1,013 |

Net fair value movement on other financial assets

| | | |
|---|-------|-------|
| Key Petroleum Ltd (ASX: KEY) | 283 | 452 |
| Metaliko Resources Ltd (ASX: MKO) | 117 | - |
| Kaili Resources Limited (ASX: KLR) | (55) | - |
| | <hr/> | <hr/> |
| Total Net fair value movement on other financial assets | 345 | 452 |

Finance costs

| | | |
|---|-------|-------|
| Interest and finance charges paid/payable | 278 | 384 |
| | <hr/> | <hr/> |

Share-based payments expense

| | | |
|------------------------------|-------|-------|
| Share-based payments expense | - | 2,276 |
| | <hr/> | <hr/> |

Note 6. Current assets - other

Consolidated
31 Dec 2015 30 Jun 2015
\$'000 \$'000

| | | |
|--|--------------|------------|
| Loan receivable from Rey Resources Limited | 1,674 | - |
| Prepayments | 520 | 536 |
| Other current assets | 1 | 1 |
| | <hr/> | <hr/> |
| | <u>2,195</u> | <u>537</u> |

Loan Receivable

On 29 October 2015, the Group entered into a loan facility agreement with its associate, Rey Resources Limited (ASX: REY). Pursuant to the agreement the Group will provide up to \$2,000,000 to fund REY's exploration activities and general working capital. Interest will accrue at 9% per annum. The loan is repayable in cash or ordinary shares of REY at the Group's election and the repayment date has been extended to 30 June 2016.

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

| | Consolidated | |
|----------------------------------|---------------------|--------------------|
| | 31 Dec 2015 | 30 Jun 2015 |
| | \$'000 | \$'000 |
| China Coal Resources Pty Ltd | 184 | 184 |
| Rey Resources Limited (ASX: REY) | 5,200 | 11,391 |
| ActivEx Limited (ASX: AIV) | 1,241 | 1,342 |
| | <u>6,625</u> | <u>12,917</u> |

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

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2015 | 30 Jun 2015 |
| | \$'000 | \$'000 |
| Investment in Kaili Resources Limited (ASX: KLR, formerly known as Omnitech Holdings Limited) | 385 | 330 |
| Investment in Key Petroleum Ltd (ASX: KEY) | 423 | 706 |
| Investment in Metaliko Resources Ltd (ASX: MKO) | 2,192 | 1,871 |
| | <u>3,000</u> | <u>2,907</u> |

Note 9. Non-current assets - intangibles

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2015 | 30 Jun 2015 |
| | \$'000 | \$'000 |
| Mining exploration and evaluation expenditures - at cost | 4,804 | 5,699 |
| Capitalised project costs - at cost | 10,568 | 9,224 |
| Less: Impairment | (1,239) | (1,239) |
| | <u>9,329</u> | <u>7,985</u> |
| | <u>14,133</u> | <u>13,684</u> |

Note 10. Current liabilities - borrowings

| | Consolidated | |
|---------------------------|---------------------|--------------------|
| | 31 Dec 2015 | 30 Jun 2015 |
| | \$'000 | \$'000 |
| Convertible notes payable | 11,696 | 5,799 |
| Loan payable | 20 | 20 |
| | <u>11,716</u> | <u>5,819</u> |

Terms of convertible notes payable are provided below:

In April 2015, the company issued a \$6,000,000 unsecured convertible note ('Note') to Oceanic Alliance Investments Limited ('OAIL') which will bear interest at 5% per annum. As at 31 December 2015, the Note has been fully drawn down. The Note may be converted into ordinary shares of the company during the period commencing 2 April 2015 and ending 30 days immediately prior to the maturity date of 2 April 2017 ('Maturity') at a conversion price of \$0.28 per share. Upon Maturity, any unconverted balance of the Note, including accrued interest, will be redeemed by the company for cash.

Note 10. Current liabilities - borrowings (continued)

On 28 August 2015, the company issued unsecured convertible notes to a series of sophisticated investors for an aggregate amount of \$7,500,000 with maturity date of 31 December 2016. As at 31 December 2015, \$5,625,000 has been drawn down. The notes carry interest at the rate of 8% per annum (as amended by the Deeds of Amendment and Restatement dated 25 December 2015). The company may, subject to shareholders approval, convert all the notes into ordinary shares of the company at a conversion price being 80% of VWAP immediately prior to conversion. In addition, the company may select to convert the notes prior to the maturity date into ordinary shares of other wholly owned subsidiaries of the company at values agreed between the parties.

Note 11. Equity - issued capital

| | Consolidated | | | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Dec 2015 Shares | 30 Jun 2015 Shares | 31 Dec 2015 \$'000 | 30 Jun 2015 \$'000 |
| Ordinary shares - fully paid | 603,861,843 | 604,254,737 | 101,757 | 101,883 |

Movements in ordinary share capital

| Details | Date | Shares | \$'000 |
|----------------|------------------------------------|--------------------|----------------|
| Balance | 1 July 2015 | 604,254,737 | 101,883 |
| Share buy-back | 1 July 2015 to 31 December 2015 | (392,894) | (126) |
| Balance | 31 December 2015 | <u>603,861,843</u> | <u>101,757</u> |

Share buy-back

During the period, the company bought back 392,894 shares at a cost of \$126,000. The buy-back program is expected to expire on 12 April 2016 and it is the company's present intention to extend the program for another year.

Note 12. Equity - dividends

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

Note 13. Fair value measurement

The following tables detail the Group's assets and liabilities, 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 2015 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Assets | | | | |
| Investments at fair value through profit or loss | 3,000 | - | - | 3,000 |
| Total assets | <u>3,000</u> | <u>-</u> | <u>-</u> | <u>3,000</u> |

| Consolidated - 30 Jun 2015 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Assets | | | | |
| Investments at fair value through profit or loss | 2,907 | - | - | 2,907 |
| Total assets | <u>2,907</u> | <u>-</u> | <u>-</u> | <u>2,907</u> |

Note 13. Fair value measurement (continued)

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

The carrying amounts of trade and other receivables and trade 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.

Note 14. Events after the reporting period

As at 26 February 2016, the date of signing the financial statements, the share price of Rey Resources Limited has fallen to \$0.015 which equates to a fair value of investment of \$1,950,000. The carrying value of this investment in associate at the reporting date and reflected in the financial statements is \$5,200,000.

No other matter or circumstance has arisen since 31 December 2015 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.

Note 15. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$'000 | \$'000 |
| Loss after income tax | (11,139) | (7,326) |
| Non-controlling interest | 142 | 306 |
| Loss after income tax attributable to the owners of ASF Group Limited | <u>(10,997)</u> | <u>(7,020)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 604,012,434 | 516,682,291 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>604,012,434</u> | <u>516,682,291</u> |
| | Cents | Cents |
| Basic earnings per share | (1.82) | (1.36) |
| Diluted earnings per share | (1.82) | (1.36) |

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 2015 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 be 'Min Yang', written over a horizontal line.

Min Yang
Chairman

26 February 2016
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 2015, 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 ASF Group Limited consolidated entity’s financial position as at 31 December 2015 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 2015 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 regarding continuation as a 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



L M Worsley
Partner - Audit & Assurance

Sydney, 26 February 2016