ASF Group Limited

ABN 50 008 924 570

Annual Report - 30 June 2016

Dear Shareholders,

It is with great pleasure on behalf of the Board of Directors that I present the Annual Report of the consolidated entity (referred to as the 'Group') consisting of ASF Group Limited (referred to as the 'company') and the entities it controls.

This year, I am more excited than ever about the pace and scale of change that the Group is undertaking to grow our investments and to fulfil our clear focus to deliver long term shareholder value.

Since entering the S&P/ASX All Ordinaries Index (AOI) last year, the Group has continued its trajectory of growth prospects which resulted in a healthy share price over the past year. The company continues as one of the largest 500 companies listed in ASX, and one of the most successful Sino-Australian investment and trading groups in Australia. We remain optimistic about Chinese investment interest for Australian assets and also for Europe and the UK.

We continue the identification, incubation and realisation of specific opportunities, especially in the areas of oil & gas, resources, property, infrastructure, travel and financial services, where the Group is successfully advancing a portfolio of exciting projects and opportunities across Australia, the United Kingdom and Europe.

One example is the Dawson West Project, a greenfield coal project in Queensland. Civil & Mining Resources Pty Ltd (a subsidiary of the Group), one of Queensland's largest private coal companies, announced that a MDL (Mining Development License) had been granted which covers a 6173 hectare area within the Bowen Basin. A farm-in agreement has been signed with a strategic investor and a bulk sample pit is planned for 2017.

Another example is the management of a waterfront housing development project called The Peninsula Hope Island in Hope Island, Gold Coast. Phase I has almost all been sold and Phase II, which has barely initiated, has already sold 40% of its townhouses development with apartments to come. This has been an exciting revenue generator for the company.

Our flagship project remains an exciting focus for the company - the proposed multi-billion dollar "Gold Coast Integrated Resort Project" where we continue as the sole proponent selected by the Queensland Government. The issuance of a Preliminary Detailed Proposal was approved by the State's assessment panel and we currently await the next phase of this key tourism infrastructure project for the State of Queensland.

Finally, an exciting next chapter of the Group's advancement is unfolding on Albert Island in London, United Kingdom. The company's vision for this development is to build in London an integrated trade and development hub to blend Eastern and Western trade and cultural links. The company is one of three final round bidders as of September 2016.

All in all, 2016 has been a good year, with considerable progress made - but this is just the beginning. Next year is shaping up to be a pivotal year for the Group. There are good early signs that our steady progress is proving not only realistic and achievable, but now well within reach.

The global business environment we face holds tremendous opportunity for those who elect to embrace it and use capital in new and innovative ways. We expect to see further validation and growth of our business model in the 2017 financial year.

Come on the journey with us!

I'd like to thank all our loyal shareholders for their continued support in fiscal year 2016, including fund raising efforts that have successfully enabled the Group to advance key areas of our investments.

A big thank you to all our hardworking directors, employees and consultants who have consistently pushed themselves during the period to make remarkable progress towards our business growth.

Yours sincerely,

Min Yang
Chairman

19 September 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 year ended 30 June 2016.

Directors

The following persons were directors of ASF Group Limited during the whole of the financial 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 Li Chien

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.

Dividends

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

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to $15,253,000 (30 June 2015: $14,226,000).

Financial results and commentary

Revenue for the year ended 30 June 2016 was $1,119,000 (2015: $639,000). With the launching of the Hope Island project in the Gold Coast, property management services performed briskly and provided revenue contributions to the Group for the year.

Due to the softening of the resources sector as well as volatility in the financial markets, the Group's results were adversely affected. For the financial year ended 30 June 2016, the Group recorded an impairment loss in its investments in listed companies. The loss for the financial year was attributed by the following:

- Impairment of listed investments of $6,411,000;
- Share of losses of associates of $1,065,000;
- Impairment of tenement assets of $1,346,000; and
- Interest expenses and other finance costs $805,000.

Finance costs amounted to $805,000 and largely represented interest on the convertible loan facilities.

Financial position

During the year, the company obtained convertible loan borrowings from sophisticated investors for an aggregate principal amount of $10,000,000. As of the date of this report, the facility has been fully drawn down and not converted.

In September 2015, the company further announced that it had obtained an irrevocable commitment from Star Diamond Developments Limited ('Star Diamond') for the granting of a standby convertible note facility of up to $5,000,000 ('Facility') which secures an additional source of funds if required. On 15 September 2016, a convertible loan agreement in respect of the Facility was entered into with Star Diamond and the Facility was drawn down accordingly.

Net assets as at 30 June 2016 were $12,447,000, 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 $6,411,000; and
- Increase in outstanding convertible loans (including interests) of $10,789,000.

In accordance with the terms of the aforementioned convertible loan, the company may at any time prior to the maturity date of 31 December 2016 elect to convert the entire loan into ordinary shares of the company or other wholly owned subsidiaries of the company. Upon conversion, the net asset position will be significantly improved.

During the financial year, the company bought back 582,894 ordinary shares for a cost of $180,000. On 12 April 2016, the company announced the extension of the buy-back program for a further 12 months from 26 April 2016. This signals continued confidence in the future performance of the company's asset base.

As of 30 June 2016, the Group maintained a cash balance of $2,497,000.

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.

In May 2016, the Group subscribed for an additional 30 million AIV shares under its 1 for 4 non-renounceable rights issue at a price of $0.01 per share and now holds 18.93% 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 and gas plus coal. The principal activity of REY is exploring for and developing energy resources in Western Australia's Canning Basin.

Following the subscription in April 2016 of an additional 43 million entitlement shares, the Group is now holding 173 million shares representing 17.47% of the issued capital of REY.

Key Petroleum Limited ('KEY')

KEY is an ASX listed 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 30 June 2016, the Group holds 15.73% of the issued capital of KEY.

Metaliko Resources Limited ('MKO')

MKO focuses on advanced stage gold exploration projects with identified gold mineralisation. Its project portfolio is located on, or adjacent to, the regional structures associated with the renowned major gold deposits of the Eastern Goldfields in Western Australia.

During the year, the Group further subscribed for 14.6 million entitlement shares. As at 30 June 2016, the Group holds 16.55% of the issued capital of MKO.

Kaili Resources Limited ('KLR')

KLR is a resources exploration company which holds two coal tenements in Queensland and two newly granted tenements in Western Australia.

As of 30 June 2016, the Group held an interest of 2.24% of the issued capital of KLR.

Civil & Mining Resources Pty Ltd ('CMR')
Trading as CMR Coal, CMR 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 which comprise 19 Exploration Permits for Coal ('EPC') and 1 Mineral Development Licence ('MDL') 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.

As at 30 June 2016, the Group held 68.97% of the issued share capital of CMR.

In November 2015, CMR announced that an 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 five 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.

The Dawson West Project is a greenfield coal project, 100% owned by CMR. An agreement is currently in place allowing LD Operations Pty Ltd an option to acquire up to 12.5% of the project during the subsequent feasibility stages, via a farm-in agreement through their related company, LD Dawson Pty Ltd.

Minerals and resources
China Coal Resources Pty Limited ('CCR')
CCR managed two joint ventures with the Group in Queensland and Tasmania, however during the year both projects were surrendered to the respective government authorities.

In Tasmania, CCR managed one base metal project located in the north of the state (Wilmont). The project was relinquished during the reporting period.

In Queensland, CCR managed 1 tenement at Somersford Creek (EPC2859). During the reporting period CCR relinquished EPC 2859.

ASF Coal Pty Limited ('ASF Coal')
ASF Coal currently holds five licences in South East Queensland. EPC 1508 (Leyburn) was relinquished during the year.

The other ASF Coal tenements include EPC1861 (Mt Hope), EPC2094 (Glenrowan), EPC2110 (Cooyar Creek), EPC2208 (Taroom 2) and EPC1982 (McAllister) which was granted in April 2015 for a period of five years until April 2020 with the other tenements due to expire in 2018. ASF Coal is currently reviewing all tenements with a view to drill testing the highest priority targets in 2016/2017. The tenement are prospective for thermal coal associated with the Walloon Coal Measures.

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 in September 2016 and the company is currently reviewing options for the project moving forwards. Approved exploration programs are in place with Mines and Resources Tasmania.

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 April 2017 and the company 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'), 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 Townhouses 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 financial year, the Stage I waterfront lots have nearly sold out. Stage II of the project, includes 17 townhouses and one block of 40 apartment units has been released. Currently 40% of the townhouses have been sold and a number of enquiries have been received in regard to the apartment units. It is expected that the project will continue to provide revenue contribution to ASFP in the year ahead.

There are other projects in the pipeline awaiting imminent development approvals and will proceed with ASFP undertaking a similar development management role.

Fund management and advisory services
ASF Capital Pty Limited (‘ASF Capital’) is a financial platform within the Group to develop ASF’s core strategy:

“Investigate, develop and present opportunities to establish the two way capital flows between Australia and China”.

ASF Capital holds an Australian Financial Services Licence (AFSL No 245578) and operates as the investment banking arm of ASF Group Limited.

After having been issued the AFSL in May 2013, ASF Capital has been assessing a number of investment structuring opportunities both in Australia and China with an eye towards the most fitting ones. The goal is to work with entities from both countries to expand their investment activities in Australia using a Funds Management platform.

Principally, ASF Capital investigates direct and indirect investments in resources, tourism infrastructure and property development in Australia. This together with the establishment of general investment vehicles to provide opportunities for both local and international investors continues to be the principle activity of ASF Capital.

ASF Capital also formed a Venture Fund in which it will seek to invest into Australian and overseas innovative technologies.

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 4 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 10 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 such a 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.

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

Matters subsequent to the end of the financial year
In July 2016, the Group disposed of 73 million shares in MKO at a price of 6 cents per share representing a gross profit of 100% compared with the cost of 3 cents per share.

In August 2016, the Group acquired an aggregate 45 million shares in MKO, representing approximately 10.19% of the issued capital of MKO for 6 cents per share.

In August 2016, the company announced that it has 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 is a 10 hectare site located in the Royal Docks, London Borough of Newham, and 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 company'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 recognised Chinese products to 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.

On 15 September 2016, the company entered into a convertible loan agreement with Star Diamond pursuant to which Star Diamond agreed to grant a convertible loan facility of $5,000,000 to the company at an interest rate of 10% with maturity date of 31 December 2018.

As at 16 September 2016, the share price of Rey Resources Limited had fallen to 1.6 cents per share which equates to a fair value of the investment of $2,773,000. The carry value of this investment in associate at the reporting date and reflected in the financial statements is $5,027,000.

No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Refer to 'review of operations section' above for information on likely developments and expected results of operations.

Environmental regulation

The Group's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the states of Tasmania, Victoria and Queensland. The Group is at all times in full environmental compliance with the conditions of its licences.

Information on directors

Name:	Ms Min Yang
Title:	Director and Chairman
Experience and expertise:	Ms. Yang has extensive business connections in the Asia Pacific region including greater China, and has over 20 years of hands-on experience dealing with both private and state-run businesses in China. Over the years, Min Yang has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities, trading and residential estate and financial investment sectors.
Other current directorships:	Non-executive Chairman of ActivEX Limited (ASX: AIV) and Rey Resources Limited (ASX: REY). Non-executive director of Key Petroleum Limited (ASX: KEY) and Metaliko Resources Ltd (ASX: MKO).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee until 27 August 2015
Interests in shares:	Direct interest in 286,500 ordinary shares and indirect interest in 77,257,125 ordinary shares held by FY Holdings Limited which is jointly controlled by Ms Yang and Mr Fang.

Name:	Mr Nga Fong (Alex) Lao
Title:	Vice Chairman and Non-Executive Director
Experience and expertise:	Mr Lao is the managing director of ASF Macau Multinational Holdings Limited and is in charge of the operations of Multinational Youth Travel Agency Limited. Mr Lao resides in Macau where he has business interests in property, travel and retail industries and is Chairman of the Macau Travel Agency Association.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	18,026,525 ordinary shares

Name:	Mr Quan (David) Fang
Title:	Director
Experience and expertise:	Mr Fang was born in Shanghai. He is multilingual, speaking Mandarin, Shanghai dialect, Cantonese and English. Mr Fang has extensive experience in the property sector covering property sales/marketing development, acquisition, and syndication.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Direct interest in 10,000 ordinary shares and indirect interest in 77,257,125 ordinary shares held by FY Holdings Limited which is jointly controlled by Ms Yang and Mr Fang.

Name:	Mr Wai Sang Ho
Title:	Non-executive director
Experience and expertise:	Mr Ho is a Hong Kong resident and a large property developer in Southern China. He has substantial property interests in Hong Kong and China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	39,662,906 ordinary shares

Name:	Mr Geoff Baker
Title:	Director
Qualifications:	Mr Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial Management), a Law degree and Master of business administration (MBA).
Experience and expertise:	Mr Baker assists in the international operations of the Group. He joined the Group after practising extensively for 30 years as a lawyer in Australia, Japan, Asia and China.
Other current directorships:	Mr Geoff Baker is a non-executive director of Rey Resources Limited (ASX: REY), ActivEX Limited (ASX: AIV), Metaliko Resources Ltd (ASX: MKO) and Key Petroleum Limited (ASX: KEY).
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee
Interests in shares:	Indirect interest in 7,734,517 ordinary shares held by Gold Star Industry Ltd, a related entity

Name:	Mr Xin Zhang
Title:	Director
Experience and expertise:	Mr Zhang is the founder and controlling shareholder of China Glory International Investment Group (CGIG) which was established in Beijing 15 years ago. CGIG's investments are primarily engaged in real estate development that has developed billions of dollars of properties in China. CGIG also has investments in resources and trading. Mr Zhang has extensive business and government networks in China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	46,000,000 ordinary shares

Name:	Mr Yong Jiang
Title:	Director
Experience and expertise:	Mr Jiang is the founder and chairman of a prestigious business club in Shenzhen. He is also the founder and general manager of a diversified media company focusing on the investment and production of films, TV and entertainment programmes based in Beijing. Over the years, he has been serving in senior executive positions in a number of Chinese enterprises. Through his involvement in these areas, Mr Jiang has established an extensive network of high net worth individuals with successful business experience in China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	300,000 ordinary shares

Name:	Mr Chi Yuen (William) Kuan
Title:	Executive Director and Company Secretary
Qualifications:	Mr Kuan holds a Master Degree in International Accounting. He is a Fellow of CPA Australia and a member of the Institute of Chartered Secretaries and Administrators (ICSA) in the UK.
Experience and expertise:	Mr Kuan joined the Group as the Company Secretary in February 2010 and has been responsible for all aspects of financial and corporate matters of the Group. He has extensive experience in accounting, corporate finance and company secretarial areas. Prior to joining the Group, he was company secretary for a number of diverse Hong Kong listed companies.
Other current directorships:	Non-executive Director of Kaili Resources Limited (ASX: KLR).
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	250,000 ordinary shares

Name:	Mr Louis Li Chien
Title:	Executive Director
Qualifications:	Mr Chien holds a Master of Business Administration (MBA) from Kelley School of Business, Indiana University and two bachelor degrees in Architecture.
Experience and expertise:	Mr Chien was born in Shanghai, China. He grew up, was educated and worked in the United States, and is now based in Sydney, Australia. With over 20 years of experience working in Fortune 100 companies mostly based in the United States and recently Singapore, Mr Chien has managed companies across the Americas, Europe and Asia-Pacific. He is principally responsible for the management of investments, development, financial, and operational activities. Prior to joining the Group, Mr Chien held various leadership positions within Procter & Gamble Company (P&G). He started his career as an architect in the United States.
Other current directorships:	Alternate Director to Ms Min Yang for Rey Resources Limited (ASX: REY) and Metaliko Resources Ltd (ASX: MKO).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interests in shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Chi Yuen (William) Kuan experience is detailed in the 'information on directors' section above.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Ms Min Yang - Chairman	3	3	-	-
Mr Nga Fong (Alex) Lao	2	3	-	-
Mr Quan (David) Fang	2	3	-	-
Mr Wai Sang Ho	3	3	-	-
Mr Geoff Baker	3	3	2	2
Mr Xin Zhang	3	3	-	-
Mr Yong Jiang	3	3	-	-
Mr William Kuan	3	3	-	-
Mr Louis Chien	3	3	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness to attract and retain key talent;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

While the Group does not have a remuneration committee, the Board is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:
- base pay and non-monetary benefits;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and the overall performance of the Group and comparable market remunerations. Other retirement benefits may be provided by the Group if approved by shareholders.

Directors receive fixed monthly salary or consulting fees for providing consulting services to the Group.

There are no guaranteed base pay increases included in any executives' contracts.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

Short term incentive ('STI') payment was made to a KMP during the year. The STI payment was based on specific approval of the Board.

The long-term incentives ('LTI') include long service leave and share-based payments. LTI are provided to certain employees via the employee share plan which was approved by shareholders at the 2007 annual general meeting. The employee share plan is designed to provide LTI for executives to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Group's performance and link to remuneration
There is at present no direct link between remuneration and earnings except that the Board have decided that payments for services rendered should be kept to a minimum.

Use of remuneration consultants
During the financial year ended 30 June 2016, the Group did not use any remuneration consultants.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')
At the 2015 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the KMP of the Group are set out in the following tables.

The key management personnel of the Group consisted of the directors of ASF Group Limited.

2016	Short-term benefits Cash salary and fees $	Bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	Total $
Executive Directors:							
Min Yang	272,378	-	-	3,186	-	-	275,564
David Fang*	169,902	-	-	1,593	-	-	171,495
Geoff Baker	313,902	-	-	3,186	-	-	317,088
Xin Zhang	80,808	-	-	7,600	-	-	88,408
Yong Jiang	80,000	-	-	7,600	-	-	87,600
William Kuan	149,221	-	-	33,675	3,226	-	186,122
Louis Chien	89,000	25,118	29,078	8,455	-	-	151,651
	1,155,211	25,118	29,078	65,295	3,226	-	1,277,928

* From 1 July 2015 to 31 December 2015, Mr David Fang was engaged by Sincere Investment Group Ltd, an unrelated entity, to provide consulting services to the ASF Group Limited with a fee of HK$80,000 per month. Mr Fang has no beneficial interest in Sincere Investment Group Ltd, however, payments made to Sincere Investment Group Ltd were deemed to be indirect payment to Mr Fang. On 1 January 2016, Mr Fang entered into an employment contract with ASF (Hong Kong) Limited, a subsidiary of the Group, with a fixed salary of HK$80,000 per month.

Nga Fong (Alex) Lao and Wai Sang Ho did not receive any remuneration during 2016 financial year.

2015	Short-term benefits Cash salary and fees $	Bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
Nga Fong (Alex) Lao	-	-	-	-	-	185,000	185,000
Wai Sang Ho	-	-	-	-	-	185,000	185,000
Executive Directors:							
Min Yang (1)	244,948	-	-	2,774	-	740,000	987,722
David Fang (2)	147,959	-	-	-	-	55,500	203,459
Geoff Baker (3)	291,958	-	-	2,774	-	462,500	757,232
Xin Zhang	82,207	-	-	7,600	-	185,000	274,807
Yong Jiang	81,938	-	-	7,600	-	55,500	145,038
William Kuan	140,152	-	-	32,820	2,306	46,250	221,528
Louis Chien*	22,250	-	6,462	2,114	-	-	30,826
	1,011,412	-	6,462	55,682	2,306	1,914,750	2,990,612

* Represents remuneration from 1 May 2015 to 30 June 2015.

Share-based payments represent fully paid ordinary shares of the company issued on 8 August 2014 including the following:

(1) 4,000,000 fully paid ordinary shares issued to Sincere Investment Group Ltd as compensation for the provision of consulting services by Ms Yang for prior years. Prior to October 2012, Ms Yang was engaged by Sincere Investment Group Ltd to provide consulting services to the Group. Ms Yang has no beneficial interest in Sincere Investment Group Ltd, however, payments made to Sincere Investment Group Ltd were deemed to be indirect payment to Ms Yang.

(2) Mr David Fang was engaged by Sincere Investment Group Ltd to provide consulting services to the ASF Group Limited and the fee represent consulting fees paid to Sincere Investment Group Ltd. 300,000 fully paid ordinary shares issued to Sincere Investment Group Ltd as compensation for the provision of consulting services by Mr David Fang for prior years. Mr Fang has no beneficial interest in Sincere Investment Group Ltd, however, payments made to Sincere Investment Group Ltd were deemed to be indirect payment to Mr Fang.

(3) 2,500,000 fully paid ordinary shares issued to Gold Star Industry Ltd as nominee of Mr Geoff Baker. Mr Baker has a beneficial interest in Gold Star Industry Ltd.

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

	Fixed remuneration		STI	
Name	2016	2015	2016	2015
Non-Executive Directors:				
Nga Fong (Alex) Lao	-	-	-	100%
Wai Sang Ho	-	-	-	100%
Executive Directors:				
Min Yang	100%	20%	-	80%
David Fang	100%	73%	-	27%
Geoff Baker	100%	25%	-	75%
Xin Zhang	100%	33%	-	67%
Yong Jiang	100%	62%	-	38%
William Kuan	100%	79%	-	21%
Louis Chien	83%	100%	17%	-

During the year ended 30 June 2015, in recognition of their work with the Group to date, the company issued one-off bonus shares to KMPs disclosed above. The shares were issued for no consideration and there are no vesting conditions. Share-based payments have been included under STI above.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Min Yang
Title:	Director and Chairman
Agreement commenced:	1 October 2012
Term of agreement:	Open ended
Details:	An employment contract exists between Ms Yang and ASF (Hong Kong) Limited (a subsidiary of the Group) which was entered on 1 October 2012. Ms Yang receives fixed remuneration of HK$100,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice. From 1 January 2014 a consultancy agreement exists between Civil & Mining Resources Pty Ltd (a subsidiary of the Group) and the director's related entity, Luxe Hill Ltd. A consulting fee is payable of A$5,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Name: Quan (David) Fang
Title: Director
Agreement commenced: 1 January 2016
Term of agreement: Open ended
Details: A consultancy agreement dated 1 January 2015 was entered into between ASF China Holdings Limited (a subsidiary of the Group) and Sincere Investment Group Ltd. Consultancy fees are payable of HK$80,000 per month for a six-month term and subject to renewal every six months. Mr Fang was engaged by Sincere Investments Group Ltd to provide consulting services to the Group. Mr Fang has no beneficial interest in Sincere Investments Group Ltd, however, payments made to Sincere Investments Group Ltd are considered indirect payment to Mr Fang. The consultancy agreement with Sincere Investment Group Ltd was terminated on 31 December 2015. On 1 January 2016, Mr Fang signed an employment contract with ASF (Hong Kong) Limited (a subsidiary of the Group) with a fixed salary of HK$80,000 per month. The contract may be terminated at any time by either party giving to the other party 30 days prior written notice.

Name: Geoff Baker
Title: Director
Agreement commenced: 1 August 2012
Term of agreement: Open ended
Details: An employment contract exists between Mr Baker and ASF (Hong Kong) Limited (a subsidiary of the Group). Mr Baker receives a fixed remuneration of HK$40,000 per month plus a housing allowance of HK$40,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice. A consultancy contract exists between the Group and the director's related entity, Gold Star Industry Limited. A consulting fee of A$9,500 per month is payable. From 1 January 2014, a consultancy agreement exists between Civil & Mining Resources Pty Ltd (a subsidiary of the Group) and the director's related entity, Gold Star Industry Limited. A consulting fee of A$2,500 per month is payable. The contract maybe terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Name: Xin Zhang
Title: Director
Agreement commenced: 30 July 2012
Term of agreement: Open ended
Details: Mr Zhang is employed by the Group under an employment agreement. Mr Zhang receives fixed remuneration of A$6,667 per month plus superannuation. The contract may be terminated at any time by either party giving to the other party not less than 4 weeks prior written notice.

Name: Yong Jiang
Title: Director
Agreement commenced: 1 August 2013
Term of agreement: Open ended
Details: Mr Jiang is employed by the Group under an employment agreement. Mr Jiang receives fixed remuneration of A$6,667 per month plus superannuation. The contract may be terminated at any time by either party. For the employer, the period of such notice must be at least 4 weeks. For the employee, the period of such notice must be at least 12 weeks.

Name: Chi Yuen (William) Kuan
Title: Executive Director and Company Secretary
Agreement commenced: 1 February 2010
Term of agreement: Open ended
Details: Mr Kuan is employed by the Group under an employment agreement. Mr Kuan receives fixed remuneration of A$13,750 per month plus superannuation. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

Name:	Louis Li Chien
Title:	Executive Director
Agreement commenced:	1 April 2015
Term of agreement:	Open ended
Details:	Mr Chien is employed by the Group under an employment agreement. Mr Chien receives fixed remuneration of A$7,417 per month and superannuation. Mr Chien is also entitled to a performance-based bonus. Compensation for the 2016 financial year included non-monetary benefits towards accommodation paid up to March 2016. The contract may be terminated at any time by either party giving to the other party not less than 4 weeks prior written notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that was outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Additional information
The earnings of the Group for the five years to 30 June 2016 are summarised below:

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Sales revenue	1,119	639	1,262	1,748	1,653
Profit (Loss) after income tax	(15,253)	(14,226)	956	(30,505)	21,169
Net equity	12,447	28,249	18,299	1,159	29,199

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Average share price ($)	0.30	0.24	0.16	0.21	0.14
Basic earnings per share (cents per share)	(2.53)	(2.56)	0.25	(9.82)	6.88
Share buy-back ($'000)	180	976	81	345	1,556

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Min Yang*	286,500	-	-	-	286,500
Nga Fong (Alex) Lao	18,026,525	-	-	-	18,026,525
Quan (David) Fang*	10,000	-	-	-	10,000
Wai Sang Ho	39,662,906	-	-	-	39,662,906
Geoff Baker **	7,734,517	-	-	-	7,734,517
Xin Zhang ***	46,000,000	-	-	-	46,000,000
Yong Jiang	300,000	-	-	-	300,000
William Kuan	250,000	-	-	-	250,000
	112,270,448	-	-	-	112,270,448

* The above shareholding excludes indirect interest of 77,257,125 (2015: 77,257,125) shares held by FY Holdings Limited, an entity jointly controlled by Ms Yang and Mr Fang.
** Included in Mr Baker's holdings are indirect interests held by Gold Star Industry Ltd which is controlled by Mr Baker.
*** During the year, Mr Zhang transferred all the shares held by Suntimes International Limited, an entity controlled by Mr Zhang, to his individual name.

Louis Chien held no shares in the company during the financial year.

Other transactions with key management personnel and their related parties
Rent paid on the operating lease of the head office of the Group to SPC Investments Pty Ltd, an entity in which Ms Min Yang has a beneficial interest, amounting to $214,231 (2015: $214,231)

Commissions on property sales paid to Sino Property Network Ltd, an entity in which Ms Min Yang has a beneficial interest, amounted to $Nil (2015: $6,475)

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of ASF Group Limited under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of ASF Group Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified 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.

Indemnity and insurance of auditor
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 under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton
There are no officers of the company who are former partners of Grant Thornton.

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.

Auditor
Grant Thornton 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

Min Yang
Chairman

19 September 2016
Sydney

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 audit of ASF Group Limited for the year ended 30 June 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

LWorsley.

L M Worsley
Partner - Audit & Assurance

Sydney, 19 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

General information

The financial statements cover ASF Group Limited as a Group consisting of ASF Group Limited and the entities it controlled at the end of, or during, the 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 19 September 2016. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue	4	1,119	639
Other income		5	-
Expenses			
Commission and fee expenses		(344)	(302)
Consultancy expenses		(1,499)	(4,286)
Marketing expenses		(473)	(122)
Employee benefits expense		(2,089)	(2,525)
Depreciation expense	5	(222)	(36)
Impairment of investments in associates	5	(6,411)	(190)
Impairment of assets	5	(1,363)	(1,465)
Net fair value movements on other financial assets	5	1,082	(719)
Legal and professional fees		(1,099)	(877)
Corporate and administration expenses		(1,123)	(1,444)
Occupancy expenses		(1,342)	(678)
Share of profits or losses of associates	5	(1,065)	(2,353)
Finance costs	5	(805)	(484)
Loss before income tax expense		(15,629)	(14,842)
Income tax expense	6	-	-
Loss after income tax expense for the year		(15,629)	(14,842)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		7	(364)
Other comprehensive income for the year, net of tax		7	(364)
Total comprehensive income for the year		(15,622)	(15,206)
Loss for the year is attributable to:			
Non-controlling interest		(376)	(616)
Owners of ASF Group Limited		(15,253)	(14,226)
		(15,629)	(14,842)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(376)	(616)
Owners of ASF Group Limited		(15,246)	(14,590)
		(15,622)	(15,206)
		Cents	**Cents**
Basic earnings per share	31	(2.53)	(2.56)
Diluted earnings per share	31	(2.53)	(2.56)

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

	Note	Consolidated 2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	7	2,497	4,229
Trade and other receivables	8	181	101
Other	9	522	537
Total current assets		3,200	4,867
Non-current assets			
Deposits		420	339
Investments accounted for using the equity method	10	6,395	12,917
Financial assets at fair value through profit or loss	11	4,426	2,907
Property, plant and equipment	12	502	356
Intangibles	13	15,639	13,684
Total non-current assets		27,382	30,203
Total assets		30,582	35,070
Liabilities			
Current liabilities			
Trade and other payables	14	1,443	942
Borrowings	15	16,608	5,819
Employee benefits	16	84	60
Total current liabilities		18,135	6,821
Total liabilities		18,135	6,821
Net assets		12,447	28,249
Equity			
Issued capital	17	101,703	101,883
Reserves	18	(833)	(840)
Accumulated losses		(87,224)	(71,971)
Equity attributable to the owners of ASF Group Limited		13,646	29,072
Non-controlling interest		(1,199)	(823)
Total equity		12,447	28,249

The above statement of financial position should be read in conjunction with the accompanying notes

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 year	-	-	(14,226)	(616)	(14,842)
Other comprehensive income for the year, net of tax	-	(364)	-	-	(364)
Total comprehensive income for the year	-	(364)	(14,226)	(616)	(15,206)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 17)	29,830	-	-	-	29,830
Share buy-back (note 17)	(976)	-	-	-	(976)
Change in non-controlling interests	-	(3,162)	-	(536)	(3,698)
Balance at 30 June 2015	101,883	(840)	(71,971)	(823)	28,249

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 year	-	-	(15,253)	(376)	(15,629)
Other comprehensive income for the year, net of tax	-	7	-	-	7
Total comprehensive income for the year	-	7	(15,253)	(376)	(15,622)
Transactions with owners in their capacity as owners:					
Share buy-back (note 17)	(180)	-	-	-	(180)
Balance at 30 June 2016	101,703	(833)	(87,224)	(1,199)	12,447

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

ASF Group Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		919	1,738
Payments to suppliers (inclusive of GST)		(7,527)	(8,292)
Interest received		103	71
Net cash used in operating activities	30	(6,505)	(6,483)
Cash flows from investing activities			
Payments for investment in other financial assets		(438)	(2,037)
Payments for property, plant and equipment	12	(390)	(289)
Payments for intangibles	13	(3,301)	(9,673)
Payments for investment in associates		(954)	(2,300)
Proceeds from disposal of property, plant and equipment		21	-
Net cash used in investing activities		(5,062)	(14,299)
Cash flows from financing activities			
Proceeds from borrowings		10,000	6,000
Repayment of borrowings		-	(2,122)
Proceeds from issue of shares		-	19,640
Payments for share buy-backs	17	(180)	(974)
Net cash from financing activities		9,820	22,544
Net increase/(decrease) in cash and cash equivalents		(1,747)	1,762
Cash and cash equivalents at the beginning of the financial year		4,229	2,309
Effects of exchange rate changes on cash and cash equivalents		15	158
Cash and cash equivalents at the end of the financial year	7	2,497	4,229

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

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

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 a loss after income tax of $15,629,000 (2015: $14,842,000); showing net cash outflows from operating activities of $6,505,000 (2015: $6,483,000); and net cash outflows from investing activities of $5,062,000 (2015: $14,299,000) for the year ended 30 June 2016 and, as of that date, the Group's current liabilities exceeded its current assets by $14,935,000 (2015: $1,954,000). The net assets of the Group as of 30 June 2016 were $12,447,000 (2015: $28,249,000).

The ability of the Group to meet its commitments and to develop its projects or divest for a profit is dependent upon the Group continuing to raise capital.

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

- The Group manages cash 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 August 2015, September 2015 and June 2016;
- The Group expects the convertible notes amounting $16,588,000 to convert to equity before their expiry and that no cash outlay will be required;
- The Group plans to undertake further capital raisings or issues of convertible notes during the next 12 months as needed;
- The Group has the ability to reduce its costs if the forecast cash inflows and capital injections do not fully materialise; and
- Cash flow forecasts, including expected additional 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.

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.

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 30 June 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 1. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies in this note. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

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 Group'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 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASF Group Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

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.

Note 1. Significant accounting policies (continued)

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.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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

Commission revenue
Commission revenue from the sale of properties is recognised when a contract is exchanged and settlement has taken place.

Fund management and advisory services
Revenue from fund management and advisory services is recognised in the accounting period in which the services are rendered.

Corporate services
Revenue from corporate services is recognised in the accounting period in which the services are rendered.

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.

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

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

ASF Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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 Group'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 Group'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.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

Note 1. Significant accounting policies (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or Group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis over the useful lives to the consolidated entity commencing from the time the assets is held ready for use. The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	25% - 37.5%
Leasehold improvements	37.5%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 1. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Exploration and evaluation expenditures
Exploration and evaluation expenditures in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning.

Capitalised project costs
Capitalised project costs represent costs incurred in relation to the planning and feasibility of the proposed development of an integrated Marine Project at the Broadwater (‘Gold Coast Integrated Resort’). The Group is chosen as the sole proponent of Gold Coast Integrated Resort giving exclusive right to the site.

Expenditure incurred on the project is carried as an asset in the statement of financial position where it is expected that the expenditure will be recovered through successful development and future use.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a non-controlling interest reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of ASF Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

Note 1. 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 Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group expects to adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

IFRS 15 Revenue from Contracts with Customers

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed.

Note 1. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Intangibles - mining exploration and evaluation expenditures
Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Intangibles - capitalised project costs
The Group assesses impairment of capitalised project costs at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The Group has used fair value less costs of disposal to assess impairment, which incorporates number of key estimates and assumptions.

Impairment of investments in associates
The Group makes significant judgements about the impairment of a number of its investments in associates. The Group follows the guidance in AASB 136 'Impairment of Assets' to determine when an investment is impaired or when a previously recognised impairment is reversed. This determination requires significant judgement. In making this judgement the Group evaluates the outlook of the investee, including factors such as industry performance and the prospective potential of underlying exploration and evaluation assets.

Investment in financial assets at fair value through profit or loss
The Group holds 16.55% interest in Metaliko Resources Ltd (ASX: MKO), 15.73% interest in Key Petroleum Ltd (ASX: KEY) and 2.24% interest in Kaili Resources Limited (ASX: KLR). As an investment company, the Group has elected to apply paragraph 18 of AASB 128 'Investments in Associates and Joint Ventures' and record these investments at fair value.

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.

Following a reassessment of the information provided to the CODM, it has been concluded that 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 2016 $'000	Consolidated 2015 $'000
Sales revenue		
Commission revenue	655	384
Fund management and advisory service	110	105
Corporate services	216	79
	981	568
Other revenue		
Interest	103	71
Other revenue	35	-
	138	71
Revenue	1,119	639

Note 5. Expenses

	Consolidated 2016 $'000	2015 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	158	4
Plant and equipment	55	26
Motor vehicles	9	6
Total depreciation	222	36
Impairment of investments in associates		
Rey Resources Limited	6,311	-
ActivEX Limited	100	-
Kalli International Resources Ltd	-	190
Total impairment of investments in associates	6,411	190
Impairment of assets		
Mining exploration and evaluation expenditures	1,346	215
Capitalised project costs	-	1,239
Other assets	17	11
Total impairment of assets	1,363	1,465
Net fair value movement on other financial assets		
Kalli International Resources Ltd (ASX: KLR)	(273)	(209)
Key Petroleum Ltd (ASX: KEY)	(282)	1,044
Metaliko Resources Ltd (ASX: MKO)	1,637	(116)
Total net fair value movement on other financial assets	1,082	719
Share of losses of associates		
China Coal Resources Pty Ltd	183	283
Rey Resources Limited	703	1,917
ActivEX Limited	179	153
Total share of losses of associates	1,065	2,353
Finance costs		
Interest and finance charges paid/payable	805	484
Rental expense relating to operating leases		
Minimum lease payments	1,158	634
Superannuation expense		
Defined contribution superannuation expense	121	144
Share-based payments expense		
Consultancy expenses	-	1,860
Employee benefits expense	-	416
Total share-based payments expense	-	2,276

Note 6. Income tax expense

	Consolidated	
	2016	2015
	$'000	$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(15,629)	(14,842)
Tax at the statutory tax rate of 30%	(4,689)	(4,453)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	6	11
Legal expenses	24	4
Impairment of assets	2,223	342
Share-based payments	-	683
Share of loss - associates	320	706
Tax capitalisation of project costs	147	165
Other adjustments	(11)	(286)
	(1,980)	(2,828)
Current year tax losses not recognised	1,980	2,828
Income tax expense	-	-

	Consolidated	
	2016	2015
	$'000	$'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	27,853	21,358
Potential tax benefit @ 30%	8,356	6,407

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2016	2015
	$'000	$'000
Cash on hand and at bank	2,497	4,229

Note 8. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	$'000	$'000
Trade receivables	33	21
Other receivables	148	80
	181	101

The Group has recognised a loss of $17,000 (2015: $6,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

Note 8. Current assets - trade and other receivables (continued)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Over 6 months overdue	17	6

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Additional provisions recognised	17	6
Receivables written off during the year as uncollectable	(17)	(6)
Closing balance	-	-

Past due but not impaired
As at 30 June 2016, no trade receivables were past due but not impaired (2015: Nil)

Note 9. Current assets - other

	Consolidated 2016 $'000	Consolidated 2015 $'000
Prepayments	521	536
Other current assets	1	1
	522	537

Note 10. Non-current assets - investments accounted for using the equity method

	Consolidated 2016 $'000	Consolidated 2015 $'000
China Coal Resources Pty Ltd	-	184
Rey Resources Limited (ASX: REY)	5,027	11,391
ActivEX Limited (ASX: AIV)	1,368	1,342
	6,395	12,917

Refer to note 29 for further information on interests in associates.

Note 11. Non-current assets - financial assets at fair value through profit or loss

	Consolidated 2016 $'000	Consolidated 2015 $'000
Investment in Kaili Resources Limited (ASX: KLR)	57	330
Investment in Key Petroleum Ltd (ASX: KEY)	423	706
Investment in Metaliko Resources Ltd (ASX: MKO)	3,946	1,871
	4,426	2,907

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Leasehold improvements - at cost	600	412
Less: Accumulated depreciation	(301)	(143)
	299	269
Plant and equipment - at cost	380	224
Less: Accumulated depreciation	(216)	(159)
	164	65
Motor vehicles - at cost	48	55
Less: Accumulated depreciation	(9)	(33)
	39	22
	502	356

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2014	11	63	28	102
Additions	261	28	-	289
Disposals	-	(3)	-	(3)
Exchange differences	1	3	-	4
Depreciation expense	(4)	(26)	(6)	(36)
Balance at 30 June 2015	269	65	22	356
Additions	188	154	48	390
Disposals	-	-	(22)	(22)
Depreciation expense	(158)	(55)	(9)	(222)
Balance at 30 June 2016	299	164	39	502

Note 13. Non-current assets - intangibles

	Consolidated 2016 $'000	Consolidated 2015 $'000
Mining exploration and evaluation expenditures - at cost	5,088	5,699
Capitalised project costs - at cost	11,790	9,224
Less: Impairment	(1,239)	(1,239)
	10,551	7,985
	15,639	13,684

Note 13. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Mining exploration and evaluation expenditures $'000	Capitalised project costs $'000	Total $'000
Balance at 1 July 2014	4,500	965	5,465
Additions	1,414	8,259	9,673
Impairment of assets	-	(1,239)	(1,239)
Write off of assets	(215)	-	(215)
Balance at 30 June 2015	5,699	7,985	13,684
Additions	735	2,566	3,301
Write off of assets	(1,346)	-	(1,346)
Balance at 30 June 2016	5,088	10,551	15,639

Note 14. Current liabilities - trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade payables	604	366
Other payables	839	576
	1,443	942

Refer to note 20 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated 2016 $'000	Consolidated 2015 $'000
Convertible notes payable	16,588	5,799
Loan payable	20	20
	16,608	5,819

Refer to note 20 for further information on financial instruments.

In the prior year, the company issued a $6,000,000 unsecured convertible note ('Note') to Oceanic Alliance Investments Limited ('OAIL') which carries interest at the rate of 5% per annum. 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 15. Current liabilities - borrowings (continued)

On 28 August 2015, the company issued unsecured convertible notes (‘Notes’) to a series of sophisticated investors for an aggregate amount of $7,500,000 which carry interest at the rate of 8% per annum (changed from 5% per annum from the date of the Deeds of Amendment and Restatement dated 25 December 2015). On 6 June 2016, the company issued further $2,500,000 Notes which also carry interest at the rate of 8% per annum. As at 30 June 2016, the Notes has been fully drawn down. The company may, subject to shareholders approval, convert all the Notes into ordinary shares of the company at a conversion price being 80% of the Volume Weighted Average Price ('VWAP') immediately prior to conversion. In addition, the company may select to convert the Notes prior to the maturity date of 31 December 2016 into ordinary shares of other wholly owned subsidiaries of the company at values agreed between the parties.

Note 16. Current liabilities - employee benefits

	Consolidated	
	2016 $'000	2015 $'000
Employee benefits	84	60

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 17. Equity - issued capital

	Consolidated			
	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	603,671,843	604,254,737	101,703	101,883

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2014	446,961,296		73,029
Rights issue	7 August 2014	55,870,162	$0.180	10,057
Star Diamond conversion	8 August 2014	17,490,411	$0.180	3,148
Issue of bonus shares to directors and employees	8 August 2014	12,300,000	$0.000	2,276
Rights issue	22 December 2014	33,852,492	$0.180	6,093
Share placement	6 February 2015	21,661,414	$0.220	4,766
Rights issue	19 February 2015	5,555,555	$0.180	1,000
Rights issue	13 March 2015	13,832,154	$0.180	2,490
Share buy-back	1 July 2014 - 30 June 2015	(3,268,747)	$0.000	(976)
Balance	30 June 2015	604,254,737		101,883
Share buy-back	1 July 2015 - 30 June 2016	(582,894)	$0.000	(180)
Balance	30 June 2016	603,671,843		101,703

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Note 17. Equity - issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
During the year, the company spent $180,000 on share buy-backs. The buy-back program was extended for 12 months until 25 April 2017.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is actively pursuing additional investments as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Note 18. Equity - reserves

	Consolidated	
	2016 $'000	2015 $'000
Foreign currency reserve	132	125
Non-controlling interests reserve	(965)	(965)
	(833)	(840)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Non-controlling interest reserve
The reserve is used to recognise non-controlling interest arising from the disposal of subsidiaries and to recognise the equity component within convertible notes payable and other borrowings.

Note 18. Equity - reserves (continued)

Consolidated	Foreign currency reserve $'000	Non-controlling interest reserve $'000	Total $'000
Balance at 1 July 2014	489	2,197	2,686
Foreign currency translation	(364)	-	(364)
Acquisition of shares in subsidiaries and other non-controlling interest	-	(3,162)	(3,162)
Balance at 30 June 2015	125	(965)	(840)
Foreign currency translation	7	-	7
Balance at 30 June 2016	132	(965)	(833)

Note 19. Equity - dividends

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

Note 20. Financial instruments

Financial risk management objectives
The Group'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 Group'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 Group. The Group 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, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Group 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. However, the foreign currency exposure is limited due to the size of transactions in currencies that is not the entity's functional currency.

Price risk
The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial positon as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's exposure to market price risk arises from its investments in shares in listed corporations which are subject to significant risk of changes in value from changing market prices. The risk is monitored and managed by having appropriate investment strategies in place.

Equity investments are publicly traded on the Australian Securities Exchange (ASX). If there was a 10% increase or decrease in the Australian All Ordinaries Index, with all other variables held constant, the Group's profit before tax would have been $443,000 higher/ $443,000 lower (2015: $291,000 higher/ $291,000 lower). The percentage change is the expected overall volatility of the investments, which is based on management's assessment of reasonable possible fluctuations.

Note 20. Financial instruments (continued)

Interest rate risk
The Group's main interest rate risk arises from borrowings comprising convertible notes and loan payable and cash at bank.

Due to the short term nature of the borrowings and fixed interest rate the Group's exposure to interest rate risk is limited to interest on cash at bank.

An official increase/decrease in interest rates of 50 (2015: 50) basis points would have an adverse/favourable effect on profit before tax of $12,000 (2015: $21,000) per annum.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group'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.

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	604	-	-	-	604
Other payables	-	839	-	-	-	839
Loan payable	-	20	-	-	-	20
Interest-bearing - fixed rate						
Convertible notes payable	6.88%	17,213	-	-	-	17,213
Total non-derivatives		18,676	-	-	-	18,676

Note 20. Financial instruments (continued)

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	366	-	-	-	366
Other payables	-	576	-	-	-	576
Loan payable	-	20	-	-	-	20
Interest-bearing - fixed rate						
Convertible notes payable	5.00%	300	6,225	-	-	6,525
Total non-derivatives		1,262	6,225	-	-	7,487

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 21. Fair value measurement

Fair value hierarchy

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 - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments at fair value through profit or loss	4,426	-	-	4,426
Total assets	4,426	-	-	4,426

Consolidated - 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	2,907	-	-	2,907

There were no transfers between levels during the financial 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 22. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	1,209,407	1,017,874
Post-employment benefits	65,295	55,682
Long-term benefits	3,226	2,306
Share-based payments	-	1,914,750
	1,277,928	2,990,612

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the company, and unrelated firms:

	Consolidated	
	2016 $	2015 $
Audit services - Grant Thornton		
Audit or review of the financial statements	259,528	218,513
Audit services - unrelated firms		
Audit or review of the financial statements	16,548	13,409
Other services - unrelated firms		
Tax compliance service	13,642	15,670
	30,190	29,079

Note 24. Contingencies

The Group has given bank guarantees as at 30 June 2016 of $190,000 (30 June 2015: $69,000).

Note 25. Commitments

	Consolidated	
	2016 $'000	2015 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,062	968
One to five years	2,074	2,398
	3,136	3,366
Capital commitments - Exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,474	6,255
One to five years	7,923	15,899
	13,397	22,154

Operating lease commitments includes contracted amounts for commercial leases under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Capital commitments relate to minimum annual expenditure required to be incurred by the Group under exploration licenses for tenements in Tasmania, Queensland and Victoria.

Note 26. Related party transactions

Parent entity
ASF Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Associates
Interests in associates are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Note 26. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	$	$
Sale of goods and services:		
Corporate service fee paid by associates	144,600	24,000
Share placement and advisory fees paid by associates	-	275,000
Other income:		
Interest received from associate	84,222	-
Payment for other expenses:		
Rent paid to SPC Investments Pty Ltd, an entity in which Ms Min Yang has a beneficial interest	214,231	214,231
Commissions on property sales to Sino Property Network Ltd, an entity in which Ms Min Yang has a beneficial interest	-	6,475

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
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 provided up to $2,000,000 to fund REY's exploration activities and general working capital. Interest accrued at 9% per annum. The loan was fully repaid during the year.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2016	2015
	$'000	$'000
Loss after income tax	(17,228)	(39,206)
Total comprehensive income	(17,228)	(39,206)

Note 27. Parent entity information (continued)

Statement of financial position

	Parent 2016 $'000	Parent 2015 $'000
Total current assets	41,902	24,623
Total assets	27,948	34,567
Total current liabilities	18,374	7,585
Total liabilities	18,374	7,585
Equity		
Issued capital	101,703	101,883
Non-controlling interests reserve	314	314
Accumulated losses	(92,443)	(75,215)
Total equity	9,574	26,982

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

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 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
ASF Canning Basin Energy Pty Ltd	Australia	100.00%	100.00%
ASF Canning Pty Ltd	Australia	100.00%	100.00%
ASF Capital Investment Fund	Australia	100.00%	100.00%
ASF Capital Secure Fund	Australia	100.00%	100.00%
ASF China Holdings Limited	British Virgin Islands	100.00%	100.00%
ASF Coal Pty Ltd	Australia	100.00%	100.00%
ASF Consortium Pty Ltd	Australia	100.00%	100.00%
ASF Copper Pty Ltd	Australia	100.00%	100.00%
ASF Corporate Pty Ltd	Australia	100.00%	100.00%
ASF Energy Pty Ltd	Australia	100.00%	100.00%
ASF Gold and Copper Pty Ltd	Australia	100.00%	100.00%
ASF (Hong Kong) Ltd	Hong Kong	100.00%	100.00%
ASF Infrastructure Group Pty Ltd	Australia	100.00%	100.00%
ASF Metals Pty Ltd	Australia	100.00%	100.00%
ASF Oil and Gas Holdings Pty Ltd	Australia	100.00%	100.00%
ASF Properties Pty Ltd	Australia	100.00%	100.00%
ASF Resources (WA) Pty Ltd	Australia	100.00%	100.00%
ASF Technologies Ltd	Hong Kong	100.00%	100.00%
ASF Venture Fund	Australia	100.00%	100.00%
Aushome China Pty Ltd	Australia	100.00%	100.00%
Austin Resources Pty Ltd	Australia	100.00%	100.00%
Basin Coal Pty Ltd	Australia	100.00%	100.00%
Victory Coal Pty Ltd	Australia	100.00%	100.00%
ASF Resources Ltd	Australia	100.00%	100.00%
ASF European Holdings Ltd	United Kingdom	100.00%	100.00%
ASF Global Integrated Resort Holdings Ltd	Hong Kong	100.00%	100.00%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 1:

			Parent		Non-controlling interest	
Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 2016 %	Ownership interest 2015 %	Ownership interest 2016 %	Ownership interest 2015 %
ASF Capital Pty Ltd	Australia	Fund management and advisory	59.51%	59.51%	40.49%	40.49%
Civil and Mining Resources Pty Ltd	Australia	Exploration	68.97%	68.97%	31.03%	31.03%
ASF Financial Holding Pty Ltd*	Australia	Dormant	-	51.00%	-	49.00%
Dawson West Coal Pty Ltd	Australia	Exploration	68.97%	68.97%	31.03%	31.03%

* De-registered on 8 June 2016

Note 28. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of subsidiaries with non-controlling interests that are material to the Group are set out below:

	ASF Capital Pty Ltd		Civil and Mining Resources Pty Ltd	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Summarised statement of financial position				
Current assets	300	522	49	29
Non-current assets	-	-	2,992	2,719
Total assets	300	522	3,041	2,748
Current liabilities	15	12	2,125	921
Total liabilities	15	12	2,125	921
Net assets	285	510	916	1,827
Summarised statement of profit or loss and other comprehensive income				
Revenue	-	275	-	1
Expenses	(224)	(561)	(911)	(1,283)
Loss before income tax expense	(224)	(286)	(911)	(1,282)
Income tax expense	-	-	-	-
Loss after income tax expense	(224)	(286)	(911)	(1,282)
Other comprehensive income	-	-	-	-
Total comprehensive income	(224)	(286)	(911)	(1,282)
Statement of cash flows				
Net cash used in operating activities	(117)	(86)	(1,160)	(2,257)
Net cash from/(used in) investing activities	-	-	13	(3)
Net cash from/(used in) financing activities	(152)	314	1,130	2,331
Net increase/(decrease) in cash and cash equivalents	(269)	228	(17)	71
Other financial information				
Loss attributable to non-controlling interests	(91)	(116)	(283)	(377)
Accumulated non-controlling interests at the end of reporting period	(349)	440	(1,539)	(1,256)

Note 29. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	2015 %
China Coal Resources Pty Ltd (1)	Australia	25.00%	25.00%
Kaili International Resource Ltd (2)	Hong Kong	-	20.00%
Rey Resources Limited (3)	Australia	17.47%	18.26%
ActivEX Limited (4)	Australia	18.93%	19.55%
ASF Macau Multinational Holdings Ltd (5)	British Virgin Islands	40.00%	40.00%
Mercator Agricultural Holdings Pty Ltd (6)	Australia	23.80%	23.80%

(1) Strategic investment for the Group, entity involved in Thermal Coal and Base Metals.
(2) Entity De-registered on 9 October 2015.
(3) Strategic investment for the Group, entity involved in exploring and developing energy resources.
(4) Strategic investment for the Group, entity involved in mineral exploration targeting copper-gold and gold mineralisation.
(5) Investment in the entity has been fully impaired.
(6) Entity is in the process of de-registration.

Note 29. Interests in associates (continued)

Summarised financial information

	China Coal Resources Pty Ltd*		Rey Resources Limited*	Rey Resources Limited	ActivEX Limited	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Summarised statement of financial position						
Current assets - cash and cash equivalents	2	9	1,157	1,652	1,476	1,055
Current assets - others	-	-	47	80	91	95
Non-current assets	85	846	36,246	35,066	8,061	7,039
Total assets	87	855	37,450	36,798	9,628	8,189
Current liabilities - financial liabilities excluding trade payables	-	29	-	-	-	-
Current liabilities - others	1	4	359	313	249	149
Non-current liabilities - financial liabilities excluding trade payables	100	100	-	-	-	-
Non-current liabilities - others	-	-	-	45	-	-
Total liabilities	101	133	359	358	249	149
Net assets/(liabilities)	(14)	722	37,091	36,440	9,379	8,040
Summarised statement of profit or loss and other comprehensive income						
Revenue	-	-	-	14	18	151
Interest income	2	2	7	50	10	7
Depreciation and amortisation	(1)	(1)	(4)	(4)	(34)	(33)
Expenses	(738)	(1,134)	(4,001)	(10,260)	(937)	(1,013)
Loss before income tax	(737)	(1,133)	(3,998)	(10,200)	(943)	(888)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(737)	(1,133)	(3,998)	(10,200)	(943)	(888)
Reconciliation of the Group's carrying amount						
Opening carrying amount	184	467	11,391	11,808	1,342	695
Share of loss after income tax	(184)	(283)	(703)	(1,917)	(179)	(153)
Impairment of carrying amount	-	-	(6,311)	-	(99)	-
Additions in Associate	-	-	650	1,500	304	800
Closing carrying amount	-	184	5,027	11,391	1,368	1,342
Quoted fair value	-	-	5,027	13,650	1,368	4,255

*Summarised financial information above is based on unaudited information provided by the Associates.

Note 29. Interests in associates (continued)

Contingent liabilities
Contingent liabilities as at 30 June 2016 Nil (30 June 2015: Nil)

Commitments
Share of commitments but not recognised as liability as at 30 June 2016 Nil (30 June 2015: Nil)

Note 30. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016 $'000	2015 $'000
Loss after income tax expense for the year	(15,629)	(14,842)
Adjustments for:		
Depreciation and amortisation	222	36
Impairment of investments	6,411	190
Net loss on disposal of property, plant and equipment	-	4
Share of loss - associates	1,065	2,353
Share-based payments	-	2,276
Impairment of intangible assets	1,346	1,454
Non-cash transactions - finance cost	789	390
Foreign exchange differences	(5)	125
Bad debts	17	6
Net fair value loss/(gain) on investments	(1,082)	719
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(163)	740
Increase in trade and other payables	524	66
Net cash used in operating activities	(6,505)	(6,483)

Note 31. Earnings per share

	Consolidated	
	2016 $'000	2015 $'000
Loss after income tax	(15,629)	(14,842)
Non-controlling interest	376	616
Loss after income tax attributable to the owners of ASF Group Limited	(15,253)	(14,226)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	603,906,044	555,653,462
Weighted average number of ordinary shares used in calculating diluted earnings per share	603,906,044	555,653,462
	Cents	Cents
Basic earnings per share	(2.53)	(2.56)
Diluted earnings per share	(2.53)	(2.56)

Note 32. Events after the reporting period

In July 2016, the Group disposed of 73 million shares in MKO at a price of 6 cents per share representing a gross profit of 100% compared with the cost of 3 cents per share.

In August 2016, the Group acquired an aggregate 45 million shares in MKO, representing approximately 10.19% of the issued capital of MKO for 6 cents per share.

In August 2016, the company announced that it has 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 is a 10 hectare site located in the Royal Docks, London Borough of Newham, and 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 company'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 recognised Chinese products to 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.

On 15 September 2016, the company entered into a convertible loan agreement with Star Diamond pursuant to which Star Diamond agreed to grant a convertible loan facility of $5,000,000 to the company at an interest rate of 10% with maturity date of 31 December 2018.

As at 16 September 2016, the share price of Rey Resources Limited had fallen to 1.6 cents per share which equates to a fair value of the investment of $2,773,000. The carry value of this investment in associate at the reporting date and reflected in the financial statements is $5,027,000.

No other matter or circumstance has arisen since 30 June 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, 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 Group's financial position as at 30 June 2016 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

Min Yang
Chairman

19 September 2016
Sydney

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of ASF Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of ASF Group Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Company incurred losses after income tax of $15,629,000; net cash outflows from operating activities of $6,505,000; net cash outflows from investing activities of $5,062,000 for the year ended 30 June 2016 and, as of that date, the company's current liabilities exceeded its current assets by $14,935,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 9 to 15 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of ASF Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

LWorsley.

L M Worsley
Partner - Audit & Assurance

Sydney, 19 September 2016

The shareholder information set out below was applicable as at 13 September 2016.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,371	-
1,001 to 5,000	1,042	-
5,001 to 10,000	371	-
10,001 to 100,000	391	-
100,001 and over	99	-
	3,274	-
Holding less than a marketable parcel	1,668	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
FY HOLDINGS LIMITED	77,257,125	12.80
RUBY BRIDGE GROUP LIMITED	68,276,565	11.31
XIN ZHANG	46,000,000	7.62
WAI SANG HO	39,662,906	6.57
FOREVER GRAND GROUP LIMITED	32,656,615	5.41
MR ZHEN LI	29,124,153	4.82
JADE SILVER INVESTMENTS LIMITED	26,386,276	4.37
WELL SMART CAPITAL HOLDINGS (BVI 1557182)	22,275,000	3.69
RISING GAIN HOLDINGS LIMITED	20,214,563	3.35
BETTER FUTURE CAPITAL INVESTMENT LIMITED	18,562,500	3.08
GLORY RESOURCES INTERNATIONAL INVESTMENT LIMITED	18,562,500	3.08
NGA FONG LAO	18,026,525	2.99
WISEPLAN HOLDINGS LTD	17,297,777	2.87
XING MAO LIMITED	16,038,957	2.66
JIANYING WANG	13,636,364	2.26
RUITONG WANG	11,250,000	1.86
MR JIANZHONG YANG	10,000,000	1.66
GOLD STAR INDUSTRY LIMITED	7,734,517	1.28
STAND MORAL INTERNATIONAL LIMITED	7,000,000	1.16
MR YIMING DU & MS LI CHEN	5,625,000	0.93
	505,587,343	83.77

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
FY HOLDINGS LIMITED	77,257,125	12.80
RUBY BRIDGE GROUP LIMITED	68,276,565	11.31
XIN ZHANG	46,000,000	7.62
WAI SANG HO	39,662,906	6.57
FOREVER GRAND GROUP LIMITED	32,656,615	5.41

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Directors	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 Li Chien
Company secretary	Mr Chi Yuen (William) Kuan
Registered office	Suite 2, 3B Macquarie Street Sydney NSW 2000 Telephone: 02 9251 9088 Facsimile: 02 9251 9066
Principal place of business	Suite 2, 3B Macquarie Street Sydney NSW 2000 Telephone: 02 9251 9088 Facsimile: 02 9251 9066
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: 02 9290 9600 Facsimile:02 9279 0664
Auditor	Grant Thornton Level 17 383 Kent Street Sydney NSW 2000
Solicitors	Thomson Geer Lawyers Level 25 1 O'Connell Street, Sydney NSW 2000 Clayton Utz Level 15, 1 Bligh Street, Sydney NSW 2000
Bankers	Commonwealth Bank of Australia 48 Martin Place, Sydney NSW 2000 Bank of China Limited, Sydney Branch 39-41 York Street, Sydney NSW 2000
Stock exchange listing	ASF Group Limited shares are listed on the Australian Securities Exchange (ASX code: AFA)
Website	www.asfgroupltd.com
Corporate governance statement	The corporate governance statement was approved at the same time as the annual report and can be found at http://www.asfgroupltd.com/investor-centre/corporate-governance-statement/