



ASF Group Limited

A.B.N. 50 008 924 570

Annual Report 2009

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## CORPORATE DIRECTORY

ASF Group Limited's ("the Company") shares are quoted on the official list of the Australian Stock Exchange Limited.

The ASX code for the Company's ordinary fully paid shares is "AFA".

### **Directors**

Ms Min Yang, Director and Chairman

Mr Nga Fong Lao, Vice Chairman/Non-Executive Director

Mr Quan (David) Fang, Director

Mr Wai Sang Ho, Non-Executive Director

Mr Geoff Baker, Non-Executive Director

Mr Alan Humphris, Non-Executive Director

Mr Zhang Qinglin, Non-Executive Director

Ms Lily Hongzhen Liu, Non-Executive Director

### **Company secretary**

Mr Barry F. Neal

### **Registered office and principal place of business**

Suite 2/ 3B Macquarie Street

Sydney NSW 2000

Telephone: 02 9251 9088

Internet: [www.asfgroupltd.com](http://www.asfgroupltd.com)

Facsimile: 02 9251 9066

Email: [info@asfgroupltd.com](mailto:info@asfgroupltd.com)

### **Share Registry**

Registries Limited

Level 2, 28 Margaret Street

Sydney NSW 2000

### **Home Exchange**

Australian Stock Exchange Limited

Exchange Centre

20 Bridge Street

Sydney NSW 2000

### **Auditors**

Hall Chadwick

St Martins Tower

Level 29, 31 Market Street

Sydney NSW 2000

### **Solicitors**

Deacons, Lawyers

Level 8, 1 Alfred Street

Sydney NSW 2000

### **Bankers**

Commonwealth Bank of Australia

363 George Street

Sydney NSW 2000

## CHAIRMAN'S REPORT TO SHAREHOLDERS

Dear Shareholder,

It is with pleasure that the directors present the 2009 Annual Report of ASF Group Limited and its controlled entities ('the consolidated entity'). The Company's strategy is to add shareholder value in the short to medium term by further development of its existing assets and activities.

However, as a result of the global financial crisis the property business showed negative growth and the travel business recorded reduced profitability. Improvement in the travel business is anticipated in the 2010 financial year as economic conditions improve.

In relation to our exploration activities we have been seeking to add value to the Group's mineral tenements, particularly those in the Canning Basin of Western Australia where our preliminary work during the year, including re-processing of seismic data, suggested that large amounts of relatively shallow coal are present on the tenements. A work program of exploration drilling for coal was established during the year. Subsequent to the year end, the various agreements required to be in place to undertake the drilling program were completed and the program commenced in the field in August 2009. The objective of the program is ultimately to establish a large mineable resource of thermal coal.

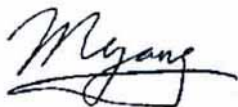
For the financial year ended 30 June 2009, the consolidated entity's operating revenue for the financial year is \$113,834 (FY08:\$19,941,109).

The significant change in operating revenue has come about through ASF relinquishing control of the Company's 40% owned Macau based travel business, Macau Multinational Youth Travel Agency Limited (MYTA) as part of a streamlining of management arrangements. Accordingly ASF Group Limited has equity accounted its investment in MYTA effective from 1 July 2008 as advised in the 2008 annual report. As a result of this decision by directors, the substantial revenue of MYTA which was previously included in consolidated revenue, is no longer included in the Group's consolidated revenue. However following recognition of MYTA as an associate the Group's share of profit from this associate of \$105,160 has been taken up in the income statement for the period from 1 July 2008 to 30 June 2009. ASF retains its 40% ownership of MYTA.

After the close of the financial year the Company entered into an Agreement with China Construction Eighth Engineering Division Ltd ("**China Construction**") a Chinese company which has as its ultimate parent China State Construction Engineering Corporation Ltd (*China's largest state-owned enterprise group with the national Grade 1 qualification for project contracting and overseas business*). We look forward to developing an exciting co-operative business relationship with China Construction over time, to the mutual benefit of both Groups. We intend to work in conjunction in relation to possible future mine development and other projects, including the establishment of associated mine infrastructure and port facilities, with China Construction also assisting in raising necessary funds and providing technical support.

The Directors extend their appreciation to all our partners and team members for their efforts during the year, our shareholders and valued clients.

Yours sincerely,



Min Yang  
Chairman  
25 September 2009

## CORPORATE GOVERNANCE STATEMENT

ASF Group Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (Second edition August 2007) for the entire FY09 financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chairperson should be an independent director.	No	4
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	5
2.4	The Board should establish a nomination committee.	No	6
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual directors.	Yes	2
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	2-6
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• The practice necessary to maintain confidence in the company's integrity;</li> <li>• the practices necessary to take into account the company's legal obligations and the reasonable expectation of their stockholders;</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes Yes Yes Yes	7
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	8
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	Yes	7-8
4.1	The Board should establish an audit committee.	Yes	9
4.2	Structure the audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors;</li> <li>• consists of a majority of independent directors;</li> <li>• is chaired by an independent chair who is not chair of the Board;</li> <li>• has at least three members.</li> </ul>	Yes Yes Yes Yes No	9
4.3	The audit committee should have a formal charter.	Yes	9
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	9
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	10
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	10
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	11
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	11
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	12

## CORPORATE GOVERNANCE STATEMENT

		Complied	Note
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes	12
7.3	Disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	13
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	12-13
8.1	Establish a remuneration committee	No	14
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes	15
8.3	Provide the information indicated in Guide to reporting on Principle 8.	Yes	14-15

### Notes

1. The Directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

The key responsibilities of the Board are:-

- the oversight of the Company including its control and accountability systems;
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
- appointment and removal of Directors, Company Secretary and senior management.

A copy of the ASF Board Charter can be viewed on the Company's website [www.asfgroupltd.com](http://www.asfgroupltd.com)

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations.

Senior executives including the chief executive officer (CEO) and the chief financial officer/company secretary (CFO/Company Secretary) have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities. The CEO has responsibility for the operation and administration of the Company as delegated by the Board. The CFO/Company Secretary has responsibility for the financial management of the company and for company secretarial duties

2. While no performance evaluation of the Board or management was carried out for the financial year ended 30 June 2009 this is continually monitored by the Chairman and the Board. The Chairman also speaks to each Director individually regarding their role as a Director
3. With the election of further Directors at the 2008 Annual General Meeting Board three members are now independent directors. While there is not a majority of independent Directors on the Board it is believed that the people on the Board can and do make independent judgments in the best interests of the Company at all times
4. The Chairman is an executive Director and therefore is not an independent director. The Board believes, that even though the Chairman is not an independent Director she is able to make quality and independent judgement on all relevant issues falling within the scope of the role of a Chairman.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

5. The roles of Chairperson and Chief Executive Officer are currently exercised by the same individual which is believed to be appropriate at this stage in the Company's development.

6. The Company does not have a nomination committee as the size of the Company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

The Board annually reviews the effectiveness of the functioning of the Board, individual Directors, and senior executives.

7. The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety.

The Company has adopted a code of conduct to guide compliance with legal and other obligations to stakeholders of the Company which may be accessed on the Company's website (<http://www.asfgroupltd.com>). This code provides guidance to Directors and management on practices necessary to maintain confidence in the integrity of the Company

8. The Company's policy regarding Directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices

9. The Company has established an Audit Committee with Mr Alan Humphris, a non executive Director as Chairman, and one other member, Mr Geoff Baker who is also a non-executive director. A formal charter of the audit and risk management committee has been approved by the Board a copy of which can be found on the Company's website (<http://www.asfgroupltd.com>).

10. The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Established policies which can be viewed on the Company's website also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

11. The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

The Company's policy on communication with shareholders is set out in the Company's 'Policy on stakeholder communication and continuous disclosure' which can be viewed on the Company's website

12. The Board has established policies on risk oversight and management which can be viewed on the Company's website. To carry out this function the Board:
- oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity;
  - reviews the financial reporting process of the Company;
  - discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
  - reviews and assesses the independence of the external auditor.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- reviews with the external auditor any audit problems and the Company's critical policies and practices.

Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
  - financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
  - occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
  - business transactions are properly authorised and executed;
  - the quality and integrity of personnel; and
  - financial reporting accuracy and compliance with the financial reporting regulatory framework.
13. The Board has received from management an assurance that the internal risk management and the internal control system is effective; and assurance from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in respect to financial reporting risks.
14. Due to the small number of executives the Company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board.
15. The remuneration policy, which sets the terms and conditions for the Chairman and other senior executives has been approved by the Board.

All executives receive fees and also may receive performance incentives in the form of shares. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

Executives may be entitled to participate in shares issued under the employee share plan.

Options may be issued to Directors and Company Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all Directors and executives of the Company to increase goal congruence among Directors, executives and shareholders

The amount of remuneration of all Directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and options issued to executives are valued at a cost to the Company and expensed. Options are valued using the Black-Scholes methodology

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

## DIRECTORS' REPORT

The directors of ASF Group Limited present their report on the Company and its controlled entities for the financial year ended 30 June 2009.

### **Directors**

The names of directors in office at any time during or since the end of the year are:-

#### **Ms Min Yang**

Director and Chairman

*Qualifications:* -

*Experience:* Appointed a director on 9 September 2005 and Chairman on 16 February 2006. Min Yang has extensive business connections in the Asia Pacific region including greater China. Min Yang has been involved in businesses and transactions across a number of sectors including resources, telecommunications, property, travel and media.

*Interest in shares:* 24,896,500 ordinary shares in ASF Group Limited held directly and indirectly by related entities.

#### **Mr Nga Fong Lao**

Vice Chairman/Non-Executive Director

*Qualifications:* -

*Experience:* Appointed as Vice Chairman and non-executive director effective 30 November 2006. Mr Lao is Managing Director of ASF Macau Multinational Holdings Limited in charge of the operations in Multinational Youth Travel Agency Limited.

Mr Lao resides in Macau where he has business interests in the property, travel and retail industries and is Chairman of the Macau Travel Agency Association.

*Interest in shares:* 13,678,000 ordinary shares in ASF Group Limited.

#### **Mr Quan (David) Fang**

Director

*Qualifications:* -

*Experience:* Appointed a director on 9 September 2005.

David Fang was born in Shanghai. He has extensive business experience, particularly in property development and sales, hotel businesses and investments.

*Interest in shares:* 21,820,000 ordinary shares in ASF Group Limited held directly and indirectly by a related entity.

#### **Mr Wai Sang Ho**

*Qualifications:* -

Non-Executive Director

*Experience:* Appointed a Non-Executive director on 30 November 2006.

Mr Ho is a Hong Kong resident and large property developer in Southern China. He has substantial property interests in Hong Kong and China and is a major shareholder in the Company,

*Interest in shares:* 8,583,333 ordinary shares in ASF Group Limited.

#### **Mr Geoff Baker**

Non-Executive Director

*Qualifications:* Geoff Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial management), a Law degree and MBA.

*Experience:* Appointed a director on 30 November 2006.

Geoff Baker assists in the international operations of the Group. He joined the Company after practising extensively for 28 years as a lawyer in Australia, Japan, Asia and China.

*Interest in shares:* 5,234,517 ordinary shares in ASF Group Limited held by a related entity.

## DIRECTORS' REPORT

### Mr Alan Humphris

Non-Executive Director

*Qualifications:* Alan Humphris holds degrees in science, economics and law and is an FCPA.

*Experience:* Appointed a Non-Executive director on 5 September 2007.

Alan Humphris is an investment banker with more than 30 years experience in Australian and international markets. He is Managing Director of Balmoral Capital Pty Limited, an investment banking firm specialising in providing corporate advisory services which he founded in 1997.

*Other current directorships:* Alan Humphris is a non-executive director of Rey Resources Limited and International Base Metals Limited.

*Interest in shares:* 1,700,000 ordinary shares in ASF Group Limited held directly and by a related entity.

### Mr Qinglin Zhang

Non-Executive Director

*Qualifications:* Mr. Zhang graduated from the Harbin Construction Engineering Institute, PRC in June 1968 majoring in heating and ventilation engineering. He was recognized as a professor-level senior engineer by the Ministry of Personnel in 1997.

*Experience:* Appointed a director on 28 November 2008

Mr. Zhang Qinglin, is an Independent Non-executive director of our Company. Mr. Zhang serves as a member of the Tenth National Committee of the Chinese People's Political Consultative Conference and for many years held senior positions in the Ministry of Construction and the China State Construction Engineering Corporation.

### Ms Lily Hongzhen Liu

Non-Executive Director

*Qualifications:* Ms. Liu graduated from the Guangdong University of Foreign Trade and Economic and obtained a Master degree in Business Administration from the University of San Francisco in the United States.

*Experience:* Appointed a director on 28 November 2008

Ms. Lily Hongzhen Liu is the General Manager of the Investment Division of CITIC International Assets Management Limited ("CIAM") responsible for deal sourcing and direct investments with focus on energy, resources and environmental protection. She has over 20 years experience in international trading, direct investment, venture capital fund management.

### Mr Shikeng Zhang

Non-Executive Director

Appointed a director on 28 November 2008 and resigned on 26 February 2009.

## Company Secretary

### Mr Tony Sin Pyng Teng

Resigned as Company Secretary on 17 October 2008.

*Qualifications:* Mr Teng is a Certified Practising Accountant, a Fellow of the Australian Institute of Company Directors and an Associated Fellow of the Australian Institute of Management.

*Interest in shares:* 179,161 ordinary shares in ASF Group Limited

### Mr Barry F. Neal

Appointed as Company Secretary and Chief Financial Officer (CFO) on 17 October 2008.

*Qualifications:* B Econ with majors in Accounting and Economics

*Experience:* Mr Barry Neal completed his degree at Queensland University in 1962 and started his career as a lecturer in company accounting at the Queensland Institute of Technology. Barry has had extensive experience in accounting and company secretarial work with listed public companies in a range of industries.

Apart from Mr Alan Humphris no other Director or key management personnel are directors of other public companies.

## DIRECTORS' REPORT (continued)

### Corporate structure

ASF Group Limited is a listed public company, limited by shares, that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

### Principal activities

During the year the principal continuing activities of the Group consisted of:-

- Mineral Resources
- Property Marketing and Services
- Travel Services
- Investments

There were no changes in the Group's principal activities during the course of the financial year.

### Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

During the financial year the Company raised funds from share placements resulting in a net cash injection of \$4,427,485. The share placements resulted in an increase in contributed equity of \$5,155,585 of which \$3,427,485 represents the net proceeds of share issues, \$1,000,000 being the conversion of a loan from Goldchoice Investments Ltd to equity and \$728,000 representing share based payments. Net cash received was used principally as working capital. Details of this increase are set out in note 23.

### Dividends

No dividends have been declared in the 2009 financial year (2008: no dividend declared).

### Review of operations, financial position, business strategies and prospects

For the financial year ended 30 June 2009, the consolidated entity's operating revenue is \$113,834 (FY08: \$19,941,109).

The significant change in operating revenue has come about through ASF relinquishing control of the Company's 40% owned Macau based travel business, Macau Multinational Youth Travel Agency Limited (MYTA) as part of a streamlining of management arrangements and, accordingly, has equity accounted the investment effective from 1 July 2008 as advised in the annual report for financial year 2008. As a result of this decision by directors, the substantial revenue of MYTA which was previously included in consolidated revenue, is no longer included in the Group's consolidated revenue. However following recognition of MYTA as an associate the Group's share of profit from this associate of \$105,160 has been taken up for the period from 1 July 2008 to 30 June 2009 in the income statement. ASF retains its 40% ownership of MYTA.

The net loss attributable to members of the consolidated entity after income tax (NLAT) for the financial year is \$5,328,111 (FY08: \$4,516,427). The loss is after the write-down of goodwill by \$1,600,000 relating to the property business, after \$728,100 was expensed in relation to a total of 10,825,000 shares issued in share based payments, after writing off loans not recoverable of \$165,448 and after provisioning for impairment of the investment in an associate (MYTA) of \$530,000.

ASF Group Limited has a strong Australia-China focus across a number of sectors, particularly mineral resources, property, travel, infrastructure and investment. The Company's strategy is to act as a business 'bridge' between Australia and China and to co-invest with partners in both countries. The Company seeks to add shareholder value through these activities which are still in the development phase.

ASF Group Limited operates from its Sydney head office and in China with offices in Beijing, Guangzhou, Hong Kong and Macau. In addition the Directors and senior management have extensive experience in dealing in China and operating businesses in Australia.

The Company's activities are summarised, below:

#### Mineral Resources

The Company holds exploration tenements in the Canning Basin of Western Australia and in Tasmania through its wholly owned subsidiary, ASF Resources Pty Limited.

## **DIRECTORS REPORT** (continued)

During the first half of the 2009 financial year, ASF Resources completed the compilation of historical coal exploration on its Canning Basin tenements and has developed a work program of drilling which was scheduled to be undertaken in the first half of financial year 2010 and was subject to gaining the requisite approvals from the Department of Industry and Resources and the Kimberley Lands Council, which have now been obtained.

The purpose of the initial program is to establish the location and extent of the coal seams by widely spaced drilling to a depth of approximately 200 metres, to be followed by closer spaced drilling.

During the year, ASF continued discussions with potential joint venture partners for the Canning Basin and initiated discussions with local and state authorities concerning Canning Basin infrastructure.

### **Property Services**

Operations continue with the marketing and sale of Australian property under the Aushome name and with the marketing of property development projects in China though current activity levels are relatively low.

The proposed Australian based property trust to invest in property projects in China has been put on hold in light of the prevailing economic environment.

The global financial climate has affected ASF's real estate sales and prospects for earning commission income on property sales. The directors have therefore reviewed the recoverable amount of ASF's goodwill in the property business and believed it prudent to impair the full carrying value of \$1,600,000.

### **Travel Services**

The Company has a 40% interest in the Macau based travel business, Macau Multinational Youth Travel Agency Limited (MYTA). As from 1 July 2008 the Company relinquished control of this entity and ASF is now equity accounting its investment effective from 1 July 2008.

As a result of the current global economic downturn MYTA has experienced a downturn in revenue and profit which may continue for some time. A 40% share of MYTA net profit after tax of \$105,160 has been taken up in the Group's income statement.

The directors have reviewed the recoverable amount of ASF's Investment in this travel associate and based on value-in-use calculations have impaired the carrying value of this investment by \$530,000 to \$805,650.

### **International Trade**

The Company was appointed as the sole Australian Official Partner for China International Fair for Investment and Trade (CIFIT) which is sponsored by China's Ministry of Commerce and the 12th CIFIT which was held on 8-11 September 2008 in Xiamen, China at which the Company established an Australian pavilion for the promotion of bilateral investment and trade.

### **After balance date events**

On 12 July 2009 the Group entered into a \$2 million Loan Facility agreement with Mars International Pty Ltd ("MIPL") with the loan maturing on 30 September 2010. Alternatively the Loan Facility can either be fully repaid by conversion of the loan on 31 December 2009 into either ASF Group Ltd shares at 10 cents per share or into new shares of ASF Resources Pty Limited representing 20% of the issued share capital of ASF Resources Pty Limited at the discretion of MIPL, subject to ASF Group Ltd shareholders' approval.

The borrowing entity is ASF Group's wholly owned resources subsidiary, ASF Resources Pty Limited.

The funds will be applied in part to maintaining ASF Resources' current program of exploration for thermal coal on the company's Canning Basin tenements, subject to all requisite pre-approvals, with the view to establishing significant coal resources for future development.

Subsequent to the year end and as at the date of this Report, the Company has also raised \$556,000 in equity by the issue of 4,800,000 shares at an average price of 11.6 cents per share.

On 18 September 2009 Mars International Pty Ltd gave written notice to ASF Group Limited that it wished to convert the loan of A\$2 million to 20 million ordinary shares in ASF Group Limited with the shares to be allotted and issued to MIPL as soon as practicable following ASF shareholder approval.

## DIRECTORS' REPORT (continued)

On 13 August 2009 ASF Resources Pty Limited commenced its initial 10,000 metre drilling program for coal in the Canning Basin, W.A after completing all preparatory work and obtaining all necessary approvals from relevant government departments, the Kimberley Land Council (KLC) and pastoralists.

ASF Resources Pty Ltd holds granted exploration tenements and applications covering 1,800 square km situated in the Fitzroy Trough within the northern most sub-basin of the Canning Basin'

The drilling program is to be carried out on four of ASF Resources' granted tenements which are situated some 15 km east of the Duchess-Paradise project of Blackfin Pty Limited where a JORC resource of 511 million tonnes of coal was publicly announced by Blackfin Pty Ltd earlier this year.

On 26 August 2009 the Company entered an Agreement with China Construction Eighth Engineering Division Ltd ("**China Construction**") a Chinese company which has as its ultimate parent China State Construction Engineering Corporation Ltd (*China's largest state-owned enterprise groups with the national Grade-1 qualification for project contracting and overseas business*).

The Company anticipates developing an important co-operative business relationship with China Construction over time, to the mutual benefit of both Groups, particularly in relation to possible future mine developments and the establishment of associated infrastructure and port facilities, with China Construction assisting in raising necessary funds and providing technical support to the projects.

### Environmental regulations

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

### Indemnifying and insurance of directors and officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follows.

The Company has paid premiums to insure all of the Directors of the Company as named above, the Company Secretary Mr Barry F. Neal, and all executive officers of the Company against any liability incurred as such by a Directors, Secretary or Executive Officers 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.

### Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of ASF Group Limited.

#### Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework;

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

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

#### Remuneration structure

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors, senior executives and consultants.

The Board sets aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

Directors receive fees for providing consulting services to the consolidated entity.

## DIRECTORS' REPORT (continued)

Executive directors and other executives may participate in the 'ASF Share Options Plan'. Shares issued under this plan are not issued based on performance criteria, but are issued to all Directors and executives of the Company to increase goal congruence among Directors, executives and shareholders.

Shares issued under the 'ASF Share Options Plan' in the financial year are disclosed in Note 32.

### Details of remuneration

The key management personnel of the Group are the directors of ASF Group Limited and the company secretary, details of which are disclosed on pages 7-8.

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of ASF Group Limited are set out on the following table:

### Remuneration - Key management personnel of the Group

2009	Base remuneration \$	Related Party Fees \$	Super-annuation \$	Non-cash benefits * \$	Total \$
<b>Executive Directors</b>					
Min Yang (a)	-	99,581	-	258,400	357,981
David Fang (a)	-	58,800	-	68,000	126,800
<b>Total Executive directors</b>	-	<b>158,381</b>	-	<b>326,400</b>	<b>484,781</b>
<b>Non-executive Directors</b>					
Nga Fong Lao (b)	-	-	-	51,000	51,000
Wai Sang Ho (b)	-	-	-	17,000	17,000
Geoff Baker	-	114,000	-	-	114,000
Alan Humphris (b)	36,000	72,000	3,240	68,000	179,240
Qinglin Zhang	35,000	-	-	-	35,000
<b>Total Non-executive directors</b>	<b>71,000</b>	<b>186,000</b>	<b>3,240</b>	<b>136,000</b>	<b>396,240</b>
Barry F. Neal CFO/Company Secretary	-	40,021	-	-	40,021
Tony S P Teng Company Secretary resigned 17/10/08	-	10,000	-	-	10,000
Jin Wei, Director, ASF Resources Pty Ltd (c)	30,000	-	2,700	60,000	92,700
Mark Derriman G/M, ASF Resources Pty Ltd	96,883	-	-	-	96,883
<b>Total Other Key Management</b>	<b>126,883</b>	<b>50,021</b>	<b>2,700</b>	<b>60,000</b>	<b>239,604</b>

\* Non-cash benefits consist of share based payments with shares issued on 1/12/2008 as approved by shareholders at the 2008 AGM as follows:

- (a) 4,800,000 shares issue to Directors' related corporate entities at a fair value of 6.8 cents
- (b) 2,000,000 shares issue to Directors at a fair value of 6.8 cents
- (c) 1,000,000 shares issued to a Director at a fair value of 6 cents.

2008	Base remuneration \$	Related Party Fees \$	Super-annuation \$	Non-cash benefits * \$	Total \$
<b>Executive Directors</b>					
Min Yang	-	58,800	-	-	58,800
David Fang	-	58,800	-	-	58,800
<b>Total Executive directors</b>	-	<b>117,600</b>	-	-	<b>117,600</b>
<b>Non-executive Directors</b>					
Nga Fong Lao	-	-	-	-	-
Wai Sang Ho	-	-	-	-	-
Geoff Baker (d)	-	164,000	-	1,250,000	1,414,000
Alan Humphris	27,300	72,000	2,700	-	102,000
Tony S P Teng	-	45,000	-	-	45,000
<b>Total Non-executive directors</b>	<b>27,300</b>	<b>281,000</b>	<b>2,700</b>	<b>1,250,000</b>	<b>1,561,000</b>

- (d) 5,000,000 shares issued to a Director at a fair value of 25 cents.

## DIRECTORS' REPORT (continued)

### Letter Agreements

On appointment to the Board, Directors enter into a service agreement with the Company, in the form of a letter of appointment. The letter summarises the Board policies and terms including compensation, relevant to the office of Director.

Remuneration for Key Management Personnel are formalised in service agreements with the executives' related corporate entity.

Details of these contracts are detailed below:-

#### *Ming Yang, Chairman*

- Term of agreement – 3 years terminating on 15 October 2011 with service company Sincere Investment Group Ltd.
- Monthly fee \$9,800 plus the issue of a 3.8 million sign-on share issue at the commencement of the contract.
- The agreement may be terminated at any time by either party giving to the other party not less than one month prior written notice.

#### *David Fang, Executive Director*

- Term of agreement – 3 years terminating on 15 October 2011 with service company Sincere Investment Group Ltd.
- Monthly fee \$4,900 plus the issue of a 1 million sign-on share issue at the commencement of the contract.
- The agreement may be terminated at any time by either party giving to the other party not less than one month prior written notice.

#### *Geoff Baker, Non-Executive Director*

- Term of agreement – monthly with the Directors related party entity Gold Star Industry Ltd.
- Monthly fee \$9,500.
- The agreement may be terminated at any time by either party giving to the other party not less than one months prior written notice.

#### *Alan Humphris, Non-Executive Director*

- Signed 1 June 2006 with the Director's related party entity Balmoral Capital Pty Ltd
- Monthly fee \$6,000.
- The agreement may be terminated at any time by either party giving to the other party not less than three months prior written notice.

#### *Jin Wei, Director ASF Resources Pty Ltd*

- Signed 28 May 2008 for term of not less than three years.
- Monthly salary of \$5,000 plus superannuation
- The agreement may be terminated at any time by either party giving to the other party not less than four weeks prior written notice.

#### *Barry F. Neal, Company Secretary*

- Term of agreement - monthly
- Monthly fee of \$2,917 payable to the Secretary's related entity Barry F. Neal & Associates Pty Ltd

#### *Mark Derriman, General Manager, ASF Resources Pty Ltd*

- Term of agreement one year from 1 December 2008 with General Manager's related party entity Mark David John Derriman & Co.
- Monthly fee - \$13,750
- The agreement may be terminated at any time by either party giving to the other party not less than one month prior written notice.

## DIRECTORS' REPORT (continued)

### Group performance

The following table shows the performance of the Consolidated Group over the past six financial years:-

FY	Sales Revenue	NPAT/(NLAT)	Basic EPS	Net Equity	NTA per share	Dividends	Average Share Price
	\$	\$	Cents	\$	cents	\$	Cents
2004	674,000	(15,877,000)	(0.06)	(3,035,000)	0.01	0	-
2005	302,655	(492,151)	(0.00)	(3,528,022)	0.01	0	-
2006	3,465,995	2,643,947	0.005	3,995,925	0.01	0	-
2007	20,117,000	(1,541,413)	(0.11)	4,946,728	0.01	0	-
2008	19,941,109	(4,516,427)	(2.63)	4,388,212	0.01	0	0.14
2009	46,505	(5,328,110)	(2.61)	2,704,663	0.01	0	0.09

The Company's activities other than Travel Services are still in the developmental stage and the Group recorded a net loss after tax in the reporting year. There is at present no direct link between remuneration to directors and earnings except that the directors have decided that payments to directors for services rendered should be kept to a minimum.

### Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Directors' meetings

The following table sets out the number of Directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a Director or a committee member). During the financial year 8 board meetings were held.

	No. of Meetings held whilst in Office	No. of Meetings Attended
Min Yang	8	8
David Fang	8	8
Nga Fong Lao	8	2
Geoff Baker	8	8
Alan Humphris	8	8
Wai Sang Ho	8	5
Qinglin Zhang	3	2
Lily Hongzhen Liu	3	2
Shikeng Zhang	1	-

### Auditor Independence declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 16 of the financial report,

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditor imposed by the Corporations Act 2001. The directors are satisfied that the service disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## DIRECTOR'S REPORT (continued)

Details of amounts paid to the auditor, for non-audit services provided during the financial year are set out below

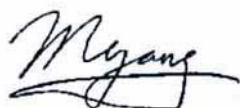
	2009	2008
	\$	\$
<b><i>Other services:</i></b>		
Hall Chadwick		
- Taxation services	6,475	12,500
- Corporate advisory services	-	108,020
	<u>6,475</u>	<u>120,520</u>

### Proceedings on behalf of the Company

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

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the board of directors.



Min Yang  
Chairman  
Sydney, 25 September 2009

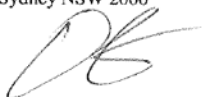
**ASF GROUP LIMITED  
ABN 50 008 924 570  
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF ASF GROUP LIMITED  
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner  
Date: 25 September 2009

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Graham Webb  
Domenic Calabretta

**Associates**  
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Bill Petrovski  
Sally Soad

**National Association**  
Hall Chadwick

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**ASF GROUP LIMITED AND CONTROLLED ENTITIES**  
ABN 50 008 924 570

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ASF GROUP LIMITED AND CONTROLLED ENTITIES**

**Report on the Financial Report**

We have audited the accompanying financial report of ASF Group Limited (the company) and ASF Group Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

**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. These Auditing Standards require that we 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 judgment, 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 entity's preparation and fair presentation of the financial report 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 entity'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. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of ASF Group Limited on 25 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

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**ASF GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN 50 008 924 570**

**Auditor's Opinion**

In our opinion:

- a. the financial report of ASF Group Limited and ASF Group Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Without qualification to the opinion expressed above, attention is drawn to the following matter:

**Significant Uncertainty Regarding the Carrying Value of Exploration and Development Costs**

We draw attention to Note 15 to the financial report. The company has assessed the carrying value of exploration and development costs amounting to \$787,032 to be recoverable. If the West Australian Minister for Mines does not provide a waiver for the company's shortfall in exploration expenditure the carrying value of some or all of the exploration and development costs capitalised will be written off.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 14 of the report of the directors for the year ended 30 June 2009. 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**

In our opinion the Remuneration Report of ASF Group Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney, NSW 2000



**DREW TOWNSEND**  
Partner

Date: 25 September 2009

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## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 20-46, are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standards; and
  - b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group.
2. The Chairman and Chief Finance Officer have each declared that:
  - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Min Yang', with a horizontal line drawn underneath the name.

Min Yang  
Chairman

Sydney, 25 September 2009

## INCOME STATEMENT

### For the Financial Year Ended 30 June 2009

	Note	Consolidated Group		Parent Entity	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$	\$	\$	\$
<b>Revenue</b>					
Sales of services	4(a)	-	19,626,045	-	-
Cost of providing services	5	-	(16,551,419)	-	-
<b>Gross Profit</b>		-	3,074,626	-	-
Other revenue	4(b)	113,834	315,063	22,662	41,982
Share of net profit of associate		105,160		105,160	
Profit on de-recognition of controlled entity		41,174	-	-	-
<b>Expenses</b>					
Marketing expenses		(574,580)	(1,009,067)	(7,284)	-
Consultants		(942,631)	(1,175,808)	-	-
Occupancy expenses		(198,481)	(430,304)	-	-
Professional fees		(151,058)	(187,190)	-	-
Administration expenses		(232,136)	(685,897)	-	-
Employment expenses		(128,643)	(1,031,611)	-	-
Corporate expenses		(92,259)	(67,381)	-	-
Depreciation and amortisation		(33,086)	(219,848)	-	-
Legal expenses		(16,639)	(40,826)	-	-
Finance costs		(71,241)	(212,035)	(1,970)	(483)
Impairment of goodwill		(1,600,000)	(1,000,697)	-	-
Share based payments expensed		(728,100)	(1,313,661)	(668,100)	(1,313,661)
Franchise expense		-	(200,000)	-	-
Impairment of receivables		-	-	(2,701,241)	(4,381,402)
Bad debts		(165,448)	-	(161,034)	-
Impairment of investment in controlled entity		-	-	(2,600,000)	-
Impairment of investment in associated entity		(530,000)	-	(530,000)	-
Other expenses		(123,976)	(12,217)	-	-
<b>(Loss) before Income Tax</b>		(5,328,110)	(4,196,853)	(6,541,807)	(5,653,564)
Income tax expense		-	(74,539)	-	-
<b>(Loss) for the year</b>		(5,328,110)	(4,271,392)	(6,541,807)	(5,653,564)
Profit attributable to minority equity interest		-	(245,035)	-	-
<b>(Loss) attributable to Members of the parent entity</b>		<b>(5,328,110)</b>	<b>(4,516,427)</b>	<b>(6,541,807)</b>	<b>(5,653,564)</b>
<b>Earnings per Share:</b>					
Basic (cents per share)	31	(2.61)	(2.63)	-	-
Diluted (cents per share)	31	(2.61)	(2.41)	-	-

Notes to financial statements are included on pages 24-46

## BALANCE SHEET

As at 30 June 2009

	Note	Consolidated Group		Parent Entity	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	1,026,693	2,618,985	951,765	305,836
Trade and other receivables	8	135,997	3,844,378	-	-
Inventories	9	-	10,374	-	-
Other current assets	10	21,090	1,668,604	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,183,780</b>	<b>8,142,341</b>	<b>951,765</b>	<b>305,836</b>
<b>NON-CURRENT ASSETS</b>					
Other receivables	11	37,300	279,040	598,741	606,250
Plant and equipment	12	85,122	376,437	-	-
Investments accounted for using the equity method	13	805,652	-	805,652	-
Financial assets	14	-	-	163,199	4,062,999
Other non-current assets	15	787,032	415,422	-	-
Intangible assets	17	-	2,240,626	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,715,106</b>	<b>3,311,525</b>	<b>1,567,592</b>	<b>4,669,249</b>
<b>TOTAL ASSETS</b>		<b>2,898,886</b>	<b>11,453,866</b>	<b>2,519,357</b>	<b>4,975,085</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	18	194,223	3,377,176	2	-
Financial liabilities	19	-	3,631,905	-	1,000,000
Current tax liabilities	20	-	56,573	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>194,223</b>	<b>7,065,654</b>	<b>2</b>	<b>1,000,000</b>
<b>TOTAL LIABILITIES</b>		<b>194,223</b>	<b>7,065,654</b>	<b>-</b>	<b>1,000,000</b>
<b>NET ASSETS</b>		<b>2,704,663</b>	<b>4,388,212</b>	<b>2,519,355</b>	<b>3,975,085</b>
<b>EQUITY</b>					
Contributed equity	21	48,255,588	43,100,003	48,255,588	43,100,003
Reserves	22	(511,898)	(686,321)	(69,509)	-
Retained losses		(45,039,027)	(39,710,917)	(45,666,724)	(39,124,918)
Parent entity interest		2,704,663	2,702,765	2,519,355	3,975,085
Minority equity interests		-	1,685,447	-	-
<b>TOTAL EQUITY</b>		<b>2,704,663</b>	<b>4,388,212</b>	<b>2,519,355</b>	<b>3,975,085</b>

Notes to financial statements are included on pages 24-46

## STATEMENT OF CHANGES IN EQUITY

### For the Financial Year Ended 30 June 2009

#### Consolidated Group

	Share capital ordinary	Retained losses	Foreign currency translation reserve	Minority equity interest	Total
	\$	\$	\$	\$	\$
<b>Balance at 1/7/2007</b>	39,010,891	(35,194,490)	(310,084)	1,440,412	4,946,729
Shares issued during the year	4,660,111	-	-	-	4,660,111
Share issue costs	(570,999)	-	-	-	(570,999)
Lost attributable to members of parent entity	-	(4,516,427)	-	-	(4,516,427)
Profit attributable to minority shareholders	-	-	-	245,035	245,035
Revaluation decrement	-	-	(376,237)	-	(376,237)
<b>Balance at 30/6/2008</b>	<b>43,100,003</b>	<b>(39,710,917)</b>	<b>(686,321)</b>	<b>1,685,447</b>	<b>4,388,212</b>
<b>Balance at 1/7/2008</b>	<b>43,100,003</b>	<b>(39,710,917)</b>	<b>(686,321)</b>	<b>1,685,447</b>	<b>4,388,212</b>
Shares issued during the year	5,384,998	-	-	-	5,384,998
Share issue costs	(229,413)	-	-	-	(229,413)
Lost attributable to members of parent entity	-	(5,328,110)	-	-	(5,328,110)
Write back of minority interest on de-recognition of subsidiary and recognition of associate	-	-	-	(1,685,447)	(1,685,447)
Write back controlled entity reserves de-recognised	-	-	692,123	-	692,123
Recognition of reserves previously recognised on de-recognition of controlled entity	-	-	(276,849)	-	(276,849)
Revaluation decrement	-	-	(240,851)	-	(240,851)
<b>Balance at 30/6/2009</b>	<b>48,255,588</b>	<b>(45,039,027)</b>	<b>(511,898)</b>	<b>-</b>	<b>2,704,663</b>

#### Parent Entity

	Share Capital Ordinary	Retained Profits	Foreign currency translation reserve	Minority equity interest	Total
	\$	\$	\$	\$	\$
<b>Balance at 1/7/2007</b>	39,010,891	(33,471,354)	-	-	5,539,537
Shares issued during the year	4,660,111	-	-	-	4,660,111
Share issue costs	(570,999)	-	-	-	(570,999)
Loss attributable to members of parent entity	-	(5,653,564)	-	-	(5,653,564)
<b>Balance at 30/6/2008</b>	<b>43,100,003</b>	<b>(39,124,918)</b>	<b>-</b>	<b>-</b>	<b>3,975,085</b>
<b>Balance at 1/7/2008</b>	<b>43,100,003</b>	<b>(39,124,918)</b>	<b>-</b>	<b>-</b>	<b>3,975,085</b>
Shares issued during the year	5,384,998	-	-	-	5,384,998
Share issue costs	(229,413)	-	-	-	(229,413)
Loss attributable to members of parent entity	-	(6,541,806)	-	-	(6,541,806)
Revaluation decrement	-	-	(69,508)	-	(69,508)
<b>Balance at 30/6/2009</b>	<b>48,255,588</b>	<b>(45,666,724)</b>	<b>(69,508)</b>	<b>-</b>	<b>2,519,355</b>

Notes to financial statements are included on pages 24-46

## CASH FLOW STATEMENT

### For the Financial Year Ended 30 June 2009

	Note	Consolidated Group		Parent Entity	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		153,739	18,488,958	-	150,000
Sundry income received		37,444	209,116	-	-
Payments to suppliers and employees		(2,816,330)	(20,429,670)	(7,918)	(1,183,482)
Interest received		27,666	105,947	22,662	41,982
Interest paid		(154,034)	(129,242)	(1,336)	-
Income tax paid		(203)	(19,426)	-	-
<b>Net cash(used in)/ provided operating activities</b>	30	<b>(2,751,718)</b>	<b>(1,774,317)</b>	<b>13,408</b>	<b>(991,500)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for exploration expenditure		(371,610)	(234,891)	-	-
Purchase of plant and equipment		(22,500)	(23,148)	-	-
Investment in associates			(706)	-	-
Investment in subsidiaries			-	(198)	(162,995)
<b>Net cash ( used in) investing activities</b>		<b>(394,110)</b>	<b>(258,745)</b>	<b>(198)</b>	<b>(162,995)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		3,427,485	2,775,451	3,427,485	3,346,450
Repayment of borrowings		-	(356,976)	-	-
Loan to related parties - subsidiaries		-	-	(2,794,766)	(2,988,660)
<b>Net cash provided by financing activities</b>		<b>3,427,485</b>	<b>2,418,475</b>	<b>632,719</b>	<b>357,790</b>
Net increase/(decrease) in cash held		281,657	385,413	645,929	(796,705)
Cash disposed on de-recognition of controlled entity		(291,789)	-	-	-
		(10,132)	385,413	645,929	(796,705)
Cash at the beginning of the financial year		1,036,825	981,669	305,836	1,102,541
Effect of foreign exchange rates on cash holdings in foreign currencies		-	(330,257)	-	-
<b>Cash at the end of the financial year</b>	7	<b>1,026,693</b>	<b>1,036,825</b>	<b>951,765</b>	<b>305,836</b>

Notes to financial statements are included on pages 24-46

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of ASF Group Limited and controlled entities ('Group') and separate financial statements and notes of ASF Group Limited as an individual parent entity.

#### (a) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical cost, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (b) Financial report prepared on a Going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The net loss after income tax for the consolidated entity for the financial year ended 30 June 2009 was \$5,328,110 (2008: \$4,516,427).

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because:-

- i) The company had no debt at balance date, the Goldchoice Investments Ltd convertible loan having been converted to equity in the Company at 7.5 cents per share on 31 March 2009.
- ii) In the financial year the Company raised funds from share placements resulting in a net cash injection of \$4,427,485 including the \$1 million Goldchoice loan converted to equity.
- iii) In July 2009 the Group's wholly owned subsidiary ASF Resources Pty Ltd entered into a \$2 million loan agreement with Mars International Limited with the funds to be used in part for ASF Resources' FY2010 programme for the exploration for thermal coal in the company's Canning basin tenements. The Loan Facility can either be fully repaid by conversion of the loan on 31 December 2009 into either ASF Group Ltd shares at 10 cents per share or into new shares representing 20% of the issued share capital of ASF Resources Pty Limited at the discretion of MIPL, subject to ASF Group Ltd shareholders' approval.
- iv) As part of an 18 million ordinary share placement approved by Directors in June 2009, a further allotment of shares in August 2009 has contributed \$220,000 in equity and in September 2009 a further \$336,000 in equity was contributed.
- v) The Group's Macau associate has declared a dividend for this entities financial year ending 31 December 2009 with the Group's entitlement of MOP 460,000 (A\$73,000) expected to be received in September 2009.
- vi) With cash reserves following the above fund injected, the Group is budgeting for a surplus for the FY2010 financial year of \$571,932 not taking into account further capital raising and conversion of the Mars International loan to equity.
- vii) On 18 September 2009 Mars International Pty Ltd gave written notice to ASF Group Limited that it wished to convert the loan of A\$2 million to 20 million ordinary shares in ASF Group Limited with the shares to be allotted and issued to MIPL as soon as practicable following ASF shareholder approval.
- viii) Negotiations are taking place with companies interested to take a financial interest in the Group's resources assets by either joint venture or equity participation in ASF Resources Pty Limited; and also with sophisticated investors who may wish to participate in the listed entity.
- ix) The ability to meet operating expenditure is also dependent upon future fundraising or the Company's business activities generating positive cash flows; the Company is projected to require further capital raising in future prior to the time it becomes operationally cash flow positive.

In the event that the consolidated entity is unable to raise sufficient funds there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the balance sheet. In this situation, the going concern basis would not be appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) 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 2009 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another sector.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Group.

### (d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

### (e) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

#### (ii) Transactions and balance

Foreign currency transactions are translated into the functional currency 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:-

Revenue from the disposal of assets is recognised when the Consolidated Group has passed control of the asset to the buyer.

Revenue from investment properties is recognised when a contract is exchanged and settlement has taken place.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

### (h) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

### (i) Exploration and development expenditure

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

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

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

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

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 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 the site.

### (j) Operating leases

Lease payments for operating leases, where substantially all the risks remain with the lessor, are charged as expenses in the periods in which they are incurred.

### (k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

### (l) Cash and cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown with short-term borrowings in current liabilities on the balance sheet.

### (m) Trade receivables

Trade receivables are recognised initially at fair value and less 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 uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used 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 30 days overdue) are considered indicators that the trade receivable is 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.

The amount of the impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement

### (n) Financial instruments

#### Recognition

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Current loans and receivables are included in trade and other receivables (Note 8) in the balance sheet.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value. 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. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

#### Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired, in the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### (o) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

### Depreciation

Depreciation is provided on plant and equipment and leasehold improvements. Depreciation is calculated on a diminishing value or straight line basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

Parent and Australian registered subsidiaries

Plant and equipment – Diminishing value	37.5%
Leasehold improvements – prime cost	37.5%
Furniture, fittings and office equipment – diminishing value	37.5%
Motor vehicles – diminishing value	37.5%

Overseas subsidiaries

Furniture, fixtures and office equipment – prime cost	10-20%
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

### (p) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (Note 17).

### (q) Trade and other payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

### (r) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### (t) Employee benefits

#### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs.

#### *Long-service leave*

The liability for long service leave is recognised in the provision for employee benefits and 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### (u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except, where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet, are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis except for the GST component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

### (w) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### (x) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

#### **Key estimates – Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

A\$1,600,000 impairment has been recognised in respect of intangible assets for the financial year ended 30 June 2009 and \$530,000 for the impairment of an associate.

#### **Key judgements – impairment of other receivables**

The directors have reviewed outstanding debtors as at 30 June 2009 and have formed the opinion that not all other debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables, being a debts owing by subsidiaries to the parent entity should be made in the accounts of \$2,862,275. Additionally a provision for impairment of an investment in a controlled entity of \$2,600,000 has also been made and a loan to a subsidiary of \$165,448 which is not collectable has been written off.

### (y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*  
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company is currently evaluating the effect on the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [ 1,AASB 101,AASB 107,AASB 111,AASB 116&AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This revised standard is not expected to have an effect on the Company and the Group as borrowings are used principally to provide working capital.

(iii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

(iv) *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (Effective from 1 January 2009).*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share share-based payment are not vesting condition. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The Group will apply the revised standard from 1 July 2009, but it is not expected to affect accounting for the Group's share-based payments.

(v) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. The Group will apply the revised standard to business combinations entered into after 1 July 2009.

(vi) *AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)*

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) *AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)*

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

(viii) *AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009) AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions.*

The Group is not involved with construction contracts and the revised standard will therefore have no effect.

(ix) *AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).*

AASB-I 16 clarifies which foreign currency risks qualify as hedged risks in the hedge of a net investment in a foreign operation. The Group does not hedge its investments in foreign operations and the revised standard will therefore have no effect

(x) *AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009).*

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group does not hedge so that the amended standard will have no material impact on the Group's financial statements.

(xi) *AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Group has no plans to pay dividends with non-cash assets so that this standard is not expected to impact on the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: FINANCIAL RISK MANAGEMENT

The Groups activities expose it to a variety of financial risks: market risk (including interest rate risk and price 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 analysing the effect of interest rate rises, and other price risks, aging analysis for credit risk and comparison of the investment portfolios against the ASX All Ordinaries Index to determine market risk.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas including interest rate risk, credit risk, and investment of excess liquidity. The groups functional currencies are the Australian dollar, the Chinese CNY and the Macau MOP. The presentation currency is the Australian dollar. The Group is therefore subject to foreign exchange risk but has limited exposure due to the size of transactions in these foreign currencies.

The following tables reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

### 30 June 2009

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturing			Non-interest Bearing \$	Total \$
			Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$		
<b>Financial Assets</b>							
Cash	3%	1,026,693	-	-	-	-	1,026,693
Trade and other receivables	-	-	-	-	-	135,997	135,997
<b>Total financial assets</b>		1,026,693	-	-	-	135,997	1,162,690
Trade and other payables	-	-	-	-	-	194,223	194,221
<b>Total financial liabilities</b>		-	-	-	-	194,223	194,221

### 30 June 2008

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturing			Non-interest Bearing \$	Total \$
			Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$		
<b>Financial Assets</b>							
Cash	7.25%	2,618,985	-	-	-	-	2,618,985
Trade and other receivables	-	-	-	-	-	3,844,378	3,844,378
<b>Total financial assets</b>		2,618,985	-	-	-	3,844,378	6,463,363
Trade and other payables	-	-	-	-	-	3,377,176	3,377,176
Bank overdraft and loan	7.5%	1,582,160	-	-	-	-	1,582,160
Goldchoice loan	7.0%	-	1,000,000	-	-	-	1,000,000
Directors/shareholder's	10.0%	1,048,209	-	-	-	1,536	1,049,745
<b>Total financial liabilities</b>		2,630,369	1,000,000	-	-	3,378,712	7,009,081

#### (a) Market risk

##### (i) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CNY (Chinese currency) and HK\$(Kong Kong currency).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2009			
	HK\$	HK\$ in A\$	CNY in A\$	A\$
Cash	2,040	327	14,556	2,645
Trade receivables	2,738,096	438,987	490,115	88,975
Trade payables	(4,902,343)	(758,972)	(553,668)	(100,511)
<b>Total net exposure</b>	(2,162,207)	(346,658)	(48,987)	(8,891)

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: FINANCIAL RISK MANAGEMENT

	30 June 2008			
	MOP in A\$		CNY in A\$	
	MOP	A\$	CNY	A\$
Cash	12,493,290	1,642,868	1,521,276	231,082
Trade receivables	36,990,997	4,864,316	4,695,530	713,251
Loans	(9,069,323)	(1,192,616)	(1,654,304)	(251,289)
Trade payables	(17,298,806)	(2,271,793)	(4,012,079)	(609,435)
<b>Total net exposure</b>	23,116,158	(3,039,775)	550,423	83,609

The Group's equity accounted investment in its associate, Multinational Youth Travel Agency Limited, Macau which has operations in China and Macau is subject to foreign exchange risk which affects the profitability of this associate and the payments of dividends to the Group

### Group sensitivity

The Group's exposure to foreign exchange gains/losses on translation of HK\$ and CNY denominated financial instruments as detailed in the above table is not material

### Parent entity sensitivity

The carrying amounts of the parent entity's financial assets and liabilities are denominated wholly in Australian dollars and the parent has no foreign exchange dealings.

### (li) Price risk

The Group and the parent entity are not exposed to equity securities price risk as no investments are held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss.

As the Group and the parent entity are only selling services they are not exposed to commodity price risk but are exposed to service price risk in relation to travel agency services and real estate businesses. In the current financial year there was no income from the property sector and the travel business in Macau has been equity accounted from 1 July 2008. The effect of price changes in the 2009 financial year is therefore not material.

### (ii) Cash flow and fair value interest rate risk

The Groups main interest rate risk arises from borrowings, particularly long-term. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2009 the Group's borrowings from Goldchoice Investments Ltd at a fixed rate were denominated in Australian Dollars and converted to equity shares in the Company on 31 March 2009.

Borrowings by the Group's associate in MOP (Macau) in financial year 2009 consisted of an overdraft in the books of Multinational Youth Travel Agency Limited, Macau which has not been consolidated in the Group's accounts since loss of control on 1 July 2008.

As at the reporting date, the Group had no outstanding borrowings.

### (b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers as outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management. Sales to customers are required to be settled in cash, mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 2 on page 31.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Trade receivables</b>				
Counterparts without external credit rating				
Group 1	-	781,558	-	-
Group 2	-	2,056,497	-	-
<b>Total trade receivables</b>	-	2,838,055	-	-
<b>Cash at bank and short-term bank deposits</b>				
AAA	1,026,693	2,618,985	951,765	305,836
Group 1 — customers (more than 6 months) with no defaults in the past				
Group 2 — customers (more than 6 months) with some defaults in the past. All defaults were fully recovered				

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

### Financing arrangements

The Group and the parent currently had no financing arrangements in place at the 30 June 2009. After year end, on 12 July 2009, a convertible loan agreement for \$2 million was signed by the Group's subsidiary ASF Resources Pty Ltd with Mars International Limited as disclosed in Note 29. On 18 September 2009 Mars International Pty Ltd gave written notice to ASF Group Limited that it wished to convert the loan of A\$2 million to 20 million ordinary shares in ASF Group Limited with the shares to be allotted and issued to MIPL as soon as practicable following ASF shareholder approval.

### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the closing price at balance date.

The fair value of financial instruments that are not traded in an active market such as investments in unlisted subsidiaries is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

For disclosure purposes financial liabilities which expire within twelve months are recorded at the principal amount owing on settlement.

## NOTE 3: SEGMENT INFORMATION

### (a) Description of segments

#### Business segments

The Company continued its strategy of activities in four business segments - Mineral Resources, Property Services, Travel Services and Investments. Details of developments in these segments are set out in the Director's Report on page 10.

### (b) Primary reporting format – business segments

30 June 2009	Property marketing and services	Mineral and resources	Travel Services	Corporate	Venture and financial services	Elimin- ations	Total
Segment revenue							
Other revenue	46,238	2,044	-	26,348	37,285	1,919	113,834
Total segment revenue	46,238	2,044	-	26,348	37,285	1,919	113,834
Share of associates net profit of equity accounted associates	-		105,160	-	-	-	105,160
Segment result	(215,282)	(271,766)	-	(8,464,587)	(252,145)	3,875,670	(5,328,110)
Segment assets	166,680	831,819	-	5,663,391	73,455	(3,836,459)	2,898,884
Segment liabilities	1,808,541	2,094,422	-	6,674,550	370,483	(10,753,771)	194,223
<b>30 June 2008</b>							
Segment revenue							
Sales	554,625		19,064,352	-	7,068	-	19,626,045
Other revenue	2,776	992	255,150	41,982	14,163		315,063
Total segment revenue	557,401	992	19,319,502	41,982	21,231	-	19,941,109
Segment result	(614,902)	(624,228)	408,392	(2,277,725)	(162,940)	(1,245,025)	(4,516,427)
Segment assets	(1,298,610)	(984,429)	7,547,378	7,978,217	33,289	(1,821,959)	11,453,866
Segment liabilities	(120,531)	(8,725)	(5,659,004)	(2,104,890)	(17,079)	844,575	(7,065,654)

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3: SEGMENT INFORMATION (continued)

#### (c) Secondary reporting format – geographical segments

	Segment revenues from sales to external customers		Segment assets	
	2009	2008	2009	2008
Australia	46,505	561,693	6,615,204	5,641,103
Asia	-	19,064,352	120,140	7,633,722
Eliminations	-	-	(3,836,459)	(1,820,959)
<b>TOTAL</b>	<b>46,505</b>	<b>19,626,045</b>	<b>2,898,884</b>	<b>11,453,866</b>

### NOTE 4: REVENUE

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>(a) Revenue from continuing operations</b>				
- Services (i)	-	19,626,046	-	*
<b>(b) Other revenue</b>				
- Interest received – other entities	27,666	105,947	22,662	41,982
- Other revenue	86,168	209,116	-	-
	<b>113,834</b>	<b>315,063</b>	<b>-</b>	<b>41,982</b>
	<b>113,834</b>	<b>19,941,109</b>	<b>22,662</b>	<b>41,982</b>

(i) Service income in the 2008 financial year was from property sales and travel income from the controlled entity which was de-consolidated from 1 July 2009 and equity accounted as from that date.

### NOTE 5: EXPENSES

#### Loss before income tax includes the following specific expenses:

Cost of services	-	16,551,419	-	-
Finance costs				
- external	71,241	173,196	1,970	-
- related parties	-	38,839	-	-
Rental expenses on operating leases				
- minimum lease payments	175,849	340,638	-	-
Net loss on disposal of plant and equipment	-	-	-	-
Impairment losses				
- Goodwill	1,600,000	1,000,697	-	-
- Investment in associates	530,000	706	530,000	-
- Investment in controlled entity	-	-	2,600,000	-
- Receivables	-	-	2,701,241	4,381,402
Bad debts	165,448	-	161,034	-
Depreciation and amortisation expense	33,086	219,848	-	-
Franchise expense	-	200,000	-	-
Share based payments expensed	728,100	1,313,661	688,100	1,313,661

### NOTE 6: INCOME TAX

#### (a) income tax expense

Current tax	-	74,539	-	-
Deferred tax	(825,240)	(659,786)	(1,762,112)	12,450
Deferred tax assets not recognised	981,840	659,786	75,286	(6,450)
Deferred tax liabilities not recognised	(156,600)	-	1,686,826	(6,000)
	<b>-</b>	<b>74,539</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6: INCOME TAX (continued)

	Consolidated 2009 \$	2008 \$	Parent 2009 \$	2008 \$
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit from continuing operations before income tax expense at 30% (2008:30%)	(1,598,433)	(1,259,056)	(1,962,542)	(381,649)
Add tax effect of:				
Non deductible share based payments	218,430	394,098	200,430	394,098
Other non-allowable items	491,059	326,964		-
Less tax effect of:				
Non-assessable debt written off		-		-
Overseas income subject to tax at different rates	63,705	(47,254)		-
Deferred tax assets not recognised	981,840	659,786	75,286	(6,450)
Deferred tax liabilities not recognised	(156,600)	-	1,686,826	(6,000)
Income tax expense	-	74,539	-	-

### NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated 2009 \$	2008 \$	Parent 2009 \$	2008 \$
Cash at bank and in hand	1,026,693	2,618,985	951,765	305,836

#### Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash at bank and in hand	1,026,693	2,618,985	951,765	305,836
Bank overdrafts and loans	-	(1,582,160)	-	-
Balance per statement of cash flows	1,026,693	1,036,825	951,765	305,836

#### Interest rate exposure

The Group and the parent entity's exposure to interest rate risk is disclosed in Note 2.

### NOTE 8: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2009 \$	2008 \$	Parent 2009 \$	2008 \$
Trade receivables	-	2,838,055	-	-
Other receivables	135,997	116,449	-	-
Amounts recoverable from related entities	-	889,874	-	-
	135,997	3,844,378	-	-

#### (a) Impaired trade receivables

As at 30 June 2009 the Group and the parent entity had no trade receivables and therefore no debts impaired (2008:\$0)

#### (b) Past due but not impaired

As at 30 June 2009, there were no trade receivables and therefore no past due or impaired (2008:\$2,056,497) were past due but not impaired.

#### (c) Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is disclosed in Note 2.

#### (d) Credit terms

Credit terms which apply to real estate customers are from 30-90 days.

#### (e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 9: CURRENT ASSETS – INVENTORIES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Finished goods at cost	-	10,374	-	-

## NOTE 10: CURRENT ASSETS – OTHER CURRENT ASSETS

Prepayments	21,090	1,668,604	-	-
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## NOTE 11: NON-CURRENT ASSETS – OTHER RECEIVABLES

Amounts owing by controlled entities	-	-	8,556,811	5,863,079
Provision for impairment of receivables	-	-	(7,958,070)	(5,256,829)
Deposits	37,300	279,040	-	-
	37,300	279,040	598,741	606,250

### (a) Impaired receivables and receivables past due

At 30 June 2009 \$7,958,070 (2008:\$5,256,829) owing by controlled entities was impaired with \$2,701,241 provided for in 2009 (2008: \$4,381,402).

### (b) Fair values

After provisioning for impairment for the amount owing by controlled entities of \$7,958,070, the carrying amount is assumed to approximate the fair value of the other receivable. Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest risk is provided in Note 2.

## NOTE 12: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Consolidated	Plant & Equipment at cost	Leasehold Improvements at cost	Motor vehicles at cost	TOTAL
	\$	\$	\$	\$
<b>As at 1 July 2007</b>				
Cost at fair value	189,320	124,231	1,455,902	1,769,453
Accumulated depreciation	(140,320)	(46,564)	(961,886)	(1,148,770)
Net book value	49,000	77,667	494,016	620,683
<b>As at 30 June 2008</b>				
Opening Net book value	49,000	77,667	494,016	620,683
Additions	23,148	-	-	23,148
Disposals	(1,567)	-	-	(1,567)
Exchange difference	-	-	(45,979)	(45,979)
Depreciation charge	(25,778)	(29,125)	(164,945)	(219,848)
Closing Net book value	44,803	48,542	283,092	376,437
<b>As at 30 June 2009</b>				
Opening Net book value	44,803	48,542	283,092	376,437
Additions	22,500	-	-	22,500
Disposals*	(21,235)	-	(259,494)	(280,729)
Depreciation charge	(8,984)	(18,203)	(5,899)	(33,086)
Closing Net book value	37,084	30,339	17,699	85,122

\* Disposals relate to a write off on de-recognition of assets on loss of control of a subsidiary.

Plant and equipment has been tested for impairment at 30 June 2009 resulting in no impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13: NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2009 \$	2008 \$	Parent 2009 \$	2008 \$
Shares in associates (a)	805,652	-	805,652	-
As disclosed in Note 7, Macau Multinational TravelAgency Limited in which the ASF Group has a 40% interest has been equity accounted from 1 July 2008				
<b>(a) Movements in carrying amounts</b>				
Carrying amount at 1 July 2008	1,300,000	-	1,300,000	-
Share of net profit after income tax	105,160	-	105,160	-
Share of foreign exchange translation reserve	(69,508)	-	(69,508)	-
Provision for impairment of investment in associate	(530,000)	-	(530,000)	-
Carrying amount at 30 June 2009	805,652	-	805,652	-

#### (b) Summarised financial information of associates

	Group's share of				
	Ownership Interest %	Assets \$	Liabilities \$	Revenues \$	Profit \$
<b>Financial year ended 30 June 2009</b>					
Macau Multinational Youth Travel Agency Ltd*	40%	4,260,231	3,256,766	8,879,933	105,160
* Private company incorporated in Macau					

#### (c) Impairment test

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using a terminal value of the year's cash flow projection and a multiplier of 3 for travel businesses. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

#### (b) Key assumptions used for value-in-use

CGU	Growth rate	Discount rate
Travel services - Asia	5%	15%

#### (c) Impact of possible changes in key assumptions

The recoverable amount of the Group's 40% interest in ASF Macau Multinational Holdings Limited is estimated to be \$826,798. However the Directors have resolved to write down the carrying value to \$805,262. This has resulted in a total impairment charge in the income statement in the financial year of \$530,000.

### NOTE 14: NON-CURRENT ASSETS – FINANCIAL ASSETS

	Consolidated 2009 \$	2008 \$	Parent 2009 \$	2008 \$
Available for sale financial assets			2,763,199	4,062,999
Less provision for impairment of investment (a)			(2,600,000)	-
	-	-	163,199	4,062,999

Available for sale financial assets comprise shares in controlled entities, disclosed in note 28 and carried at cost.

#### (a) Impairment charge

In view of the uncertain future prospects for property sales, the Directors have resolved to provision for impairment for the total investment by ASF Group Ltd in its subsidiary ASF Properties Pty Ltd of \$2,600,000. The goodwill in relation to this investment has also been fully impaired as disclosed in Note 17.

### NOTE 15: OTHER NON-CURRENT ASSETS

Exploration and development costs	787,032	415,422	-	-
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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15: OTHER NON-CURRENT ASSETS

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or valuation phase is dependent on successful development and commercial exploitation, or alternatively sales of the respective areas.

The Directors have retained the carrying value of mineral tenements in the accounts in view of the relatively small dollar amount of this investment compared with the value of the work carried out in 2009 and the value of the Canning Basin tenements that is implied by joint venture terms that are being discussed with other parties

The Company's Western Australian tenements E04/1428, E04/1433, E04/1434, E04/1435 and E04/1436 reached their fourth anniversary date in April 2009 and E04/1512 reached its third anniversary in March 2009. In accordance with the WA Department of Mines and Energy's requirement of a compulsory 50% reduction in tenement area at the fourth and fifth anniversary of each tenement, E04/1428, E04/1433, E04/1434, E04/1435 and E04/1436 were reduced by the compulsory 50%.

Fines for not meeting minimum expenditure requirements for the period 2008 to 2009 for the WA tenements have not been determined by the WA Mines Department but are expected to be 10% of the shortfall in expenditure on these tenements and be approximately \$17,500. ASF Resources Pty Limited have been advised informally that under expenditure in the period concerned will not result in loss of tenements but official advice has not been received as the final decision on this matter is one for the WA Minister for Mines.

The Company's Tasmanian tenements EI 14/2007 and 15/2007 reached their second anniversary date in July 2009 and EI55/2009 reached its first anniversary date in June 2009. Expenditure commitments are set for the first two years of the licence with subsequent year expenditure commitments being multiples of areas in kilometres times \$'s. No penalties were imposed on any of the tenements in the 08/09 year and no penalties are envisaged for the 09-10 year. Minimum expenditure requirements for the 09/10 year for the three tenements are \$478,489.

Capitalised costs of exploration amounting to \$371,610 (2008: \$234,891) have been included in cash flows from investing activities in the cash flow statement

### NOTE 16: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Deferred tax assets not brought to account the benefit of which will only be realised if the conditions for deductibility set out in Note 1(h) are satisfied.

- operating losses at 30% not brought to account \$7,337,931 (2008: \$4,121,051).

### NOTE 17: NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Goodwill	2,599,990	3,240,616	-	-
Accumulated impairment loss	(2,599,990)	(999,990)	-	-
Closing net book value	-	2,240,626	-	-

In view of the current downturn in the property market and the inability to assess future growth the Directors have resolved to make a further provision for impairment with relation to the goodwill on the property business of \$1,600,000 thereby impairing in full the goodwill.

#### (a) Impairment tests for goodwill

Goodwill is allocated to the Groups cash-generating units (CGUs) identified according to business segment and country of operation.

A segment-level summary of the goodwill as at reporting date is presented below.

2009	Australia	Asia	Total
Real estate business	-	-	-
2008	Australia	Asia	Total
Real estate business	1,600,000	-	1,600,010
Travel services	-	640,616	640,616
	1,600,000	640,616	2,240,626

The travel service business, Macau Multinational Youth Travel Agency Ltd, in which the ASF Group has a 40% interest was de-consolidated from 1 July 2008 and has been equity accounted from that date. At 30 June 2009 the Group's investment in this associate has been tested for impairment as disclosed in Note 13.

### NOTE 18: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables	-	2,141,088	-	-
Sundry payables and accrued expenses	194,223	971,680	2	-
Deposits received	-	264,408	-	-
	194,223	3,377,176	2	-

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 19: CURRENT LIABILITIES – FINANCIAL LIABILITIES

	Consolidated		Parent entity	
	2009	2008	2009	2008
Bank overdraft and loans – secured	-	1,582,160	-	-
Goldchoice loan - unsecured	-	1,000,000	-	1,000,000
Director/shareholder loan- unsecured	-	1,049,745	-	-
Total current financial liabilities	-	3,631,905	-	1,000,000

### (a) Security

The Goldchoice loan was unsecured but with an option to convert to ordinary shares of the company by 31 December 2009. The convertible loan facility was converted to equity in the Company on 31 March 2009.

### (b) Risk exposures

Details of the Group's exposure to interest rate and foreign currency change risks arising from current borrowings are disclosed in Note 2.

## NOTE 20: TAX

### Current Liabilities

Income tax	-	56,873	-	-
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Deferred tax liabilities not brought to account and which will only be offset against non-current tax assets and the net benefit brought to account if the conditions for deductibility set out in Note 1(h) are realised

Deferred tax assets are disclosed in Note 16 including details of tax losses not brought to account.

## NOTE 21: CONTRIBUTED EQUITY

	Consolidated		Parent entity	
	2009	2008	2009	2008
237,104,046 fully paid ordinary shares (2008:)				
181,188,230	48,255,588	43,100,003	48,255,588	43,100,003

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### (a) Movements in ordinary share capital

Date	Details	No of shares	Issue price	\$
30 June 2007	Opening Balance	1,580,811,168	-	39,010,891
18 July 2007	Shares issued	60,000,000	0.10	600,000
8 Nov 2007	Shares based payment	50,000,000	0.25	1,250,000
8 Nov 2007	After Share consolidation 10:1	169,081,119		
29 Jan 2008	Shares issued	10,185,800	0.25	2,546,450
20 Jun 2008	Shares issued	1,666,666	0.12	200,000
23 Jun 2008	Share based payments	254,645	0.25	63,661
	Less transaction costs arising on shares issued	-	-	(570,999)
30 June 2008	Balance	181,188,230	-	43,100,003
29 Sep 2008	Shares issued	9,082,441	0.12	1,089,893
22 Oct 2008	Shares issued	9,475,042	0.12	1,137,005
1 Dec 2008	Share based payments	9,825,000	0.068	668,100
1 Dec 2008	Share based payments	1,000,000	0.060	60,000
31 Mar 2009	Conversion of convertible loan to equity	13,333,333	0.075	1,000,000
5 June 2009	Shares issued	1,000,000	0.11	110,000
15 June 2009	Shares issued	720,000	0.10	72,000
24 June 2009	Shares issued	6,480,000	0.10	648,000
24 June 2009	Shares issued	5,000,000	0.12	600,000
	Less transaction costs arising on shares issued			(229,413)
		237,104,046		48,255,588

### (b) Ordinary shares

During the financial year the company issued 23,557,483 shares at \$0.12, 1,000,000 shares at \$0.11, 7,200,000 at \$0.10, 13,333,333 shares at \$0.075 and share-based payments - 9,825,000 at \$0.068 and 1,000,000 at \$0.60.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 21: CONTRIBUTED EQUITY (continued)

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

.Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

At 30 June 2009 there were 237,104,046 ordinary shares issued and fully paid up.

### (c) Capital risk management

The Group and the parent entity's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 and the parent entity monitor capital on the basis of the gearing ratio.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

During financial year 2009 the Group's strategy was unchanged from 2008, however as a result of the conversion of a convertible loan to equity and the de-recognition of Macau Multinational Travel Agency Ltd (MYTA) as a subsidiary, the Group had no long-term debt at 30 June 2009 and therefore no meaningful gearing ratio to compare with the previous financial year when MYTA had an overdraft facility.

## NOTE 22: RESERVES

The foreign currency transaction reserve records exchange difference arising on translation of balances of a foreign controlled subsidiaries.

## NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year were:-

### (a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year were:-

Min Yang	Chairman – Executive Director	
Quan (David) Fang	Executive Director	
Nga Fong Lao	Vice-Chairman-Non Executive Director	
Geoff Baker	Non-Executive Director	
Alan Humphris	Non-Executive Director	
Qinglin Zhang	Non-Executive Director	Appointed 28 November 2008
Lily Hongzhen Liu	Non-Executive Director	Appointed 28 November 2008
Shikeng Zhang	Non-Executive Director	Appointed 28 November 2008, Resigned 27 February 2009
Tony Sin Pyng Teng	Company Secretary	Resigned 17 October 2008
Barry F. Neal	Company Secretary/CFO	Appointed 17 October 2008
Mark Derriman	General Manager, ASF Resources Pty Ltd	Appointed 1 December 2008

### (b) Key management personnel compensation:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$0	\$
Fees and commission paid to related parties	1,120,625	1,678,600	-	-

Details of key management personnel remuneration are included in the remuneration report on page 12.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (c) Shareholdings of key management personnel

The number of shares in the company held during the financial year by each director of ASF Group Limited and other key management personnel of the Group, including their personally related parties are set out below.

	Balance at start of the year	Received during the year as share based payments	Other changes during the year	Balance at the end of the year
<b>2009</b>				
Min Yang	21,096,500	3,800,000		24,896,500
David Fang	20,820,000	1,000,000	-	21,820,000
Nga Fong Lau	12,928,000	750,000		13,678,000
Geoff Baker	5,234,517	-	-	5,234,517
Alan Humphris	700,000	1,000,000	-	1,700,000
Wai Seng Ho	8,333,333	250,000	-	8,583,333
Jin Wei	510,136	1,000,000		1,510,136
Tony S .P. Teng	179,161	-	-	179,161
	69,801,647	7,800,000	-	77,601,647
<b>2008</b>				
Min Yang	32,500,000	(11,403,500)		21,096,500
David Fang	32,500,000	(11,680,000)		20,820,000
Nga Fong Lau	12,928,000	-		12,928,000
Geoff Baker	234,517	5,000,000		5,234,517
Alan Humphris	700,000			700,000
Wai Seng Ho	8,333,333	-		8,333,333
Jin Wei	510,136			510,136
Tony S. P. Teng	179,161	-		179,161
	87,885,147	(18,083,500)		69,801,647

### (d) Other transactions with Directors or key management personnel

Consulting fees of \$72,000 were paid to Balmoral Capital, an entity in which Director Alan Humphris has a financial interest.

Rent paid on the operating lease of the Head Office of the Group of \$175,849 was paid to SP Investments Pty Ltd, an entity in which Director Min Yang has financial interests. The rent is payable under a lease signed with SP Investments on 31 March 2009. (Note 28).

Commission on property sales of \$25,135 was paid to V Property Group Pty Ltd, an entity in which Director David Fang has a financial interest.

Loans extended and outstanding at balance date to Director Nga Fong Lao by the Group's associate, Multinational Youth Travel Agency of MOP 51,848 (A\$8,223) and by Guangdong Great Scenery International Travel Service Co Ltd (GGSITS) of CNY682,805 (A\$124,339)

During the year, properties owned by Nga Fong Lao were used as the head office of the Group's associate, Multinational Youth Travel Agency Limited free of charge. One of the branch offices was leased from Nga Fong Lao for a total rental charge of MOP24,000 (A\$3,382) in the year.

In addition, properties owned by and assets of Nga Fong Lao were pledged as security for a banking facility granted to the Group's associate Macau Multinational Youth Travel Agency Limited.

## NOTE 24: REMUNERATION OF AUDITORS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Auditor to the parent company</i>				
Auditing or reviewing the financial report	72,730	75,247	-	-
Other services:				
- taxation services	6,475	12,500	-	-
- corporate advisory services	-	108,020	-	-
<i>Other auditors of subsidiaries</i>				
Auditing or reviewing the financial report of subsidiaries	-	31,912	-	-
Corporate advisory services	-	26,691	-	-
	79,205	254,370	-	67,150

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 25: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

## NOTE 26: COMMITMENTS

### (a) Non-cancellable operating leases

The Group leases its Sydney Head Office. The lease is non-cancellable with a 3 years term expiring on 31 March 2012, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the lease at the end of the three year term for an additional term of three years.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Non-cancellable operating leases contracted but not capitalised in the financial statements				
- Payable not later than one year	169,953	230,263	-	-
- Longer than 1 year and not longer than three years	317,245	488,968	-	-
Minimum lease payments	487,198	719,231	-	-

### (b) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

- (i) The Company's fully owned subsidiary, ASF Resources Pty Ltd holds exploration licenses for tenements in Western Australia and Tasmania the terms of which require minimum annual expenditure as a condition of these licences

Minimum expenditure requirements under the terms of exploration leases

- Payable not later than one year 935,489 572,250 - -

- (ii) ASF Resources Pty Ltd (ASFR) entered into a drilling agreement with Top Drive Australia Pty Ltd (TDA) in June 2009. TDA to provide drilling services to ASFR at the South Ellendale Project in Western Australia. The contract is for 10,000m of drilling due to be completed by the end of October for a budgeted consideration of \$650,000.

ASF Resources Pty Ltd (ASFR) entered into a drilling agreement with Borehole Wireline Pty Ltd (BW) in July 2009. BW is to provide geophysical services to ASFR at the South Ellendale Project in Western Australia. The contract is for geophysical surveying of 36 holes due to be completed by the end of October for a budgeted consideration of \$72,000.

## NOTE 27: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### (a) Parent entity

The parent entity within the Group is ASF Group Limited

### (b) Subsidiaries

Interests in subsidiaries are disclosed in Note 28

### (c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 23 and on page 12 of the Annual Report..

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 27: RELATED PARTY TRANSACTIONS (continued)

(d) **Outstanding balances arising from transactions with the Group**

The Group includes the ultimate parent entity and its wholly owned and partly owned subsidiaries. The ultimate parent entity in the Group is ASF Group Limited. Amounts receivable from entities in the Group are disclosed in Note 11.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts receivable from related entities	-	889,874	-	-
Amounts owing by controlled entities	-	875,427	7,681,383	5,863,078
Provision for impairment of amounts owing by controlled entities	-	(875,427)	(7,082,643)	(5,256,829)
Loans from director/shareholder	-	1,049,745	-	-

A provision for impairment of debtors of \$2,862,275 was raised in the 2009 financial year (2008:\$4,381,402) in relation to outstanding balances owing by related entities and an expense was recognised with respect to this impairment.

(e) **Guarantees**

A director of the company has given guarantees with respect to a bank overdraft provided to an associate. Refer Note 23(d).

### NOTE 28: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c).

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest	
			2009	2008
<b>Parent entity</b>				
ASF Group Limited	Australia	Ordinary	100%	100%
<b>Controlled entities</b>				
ASF Corporate Pty Ltd	Australia	Ordinary	100%	100%
ASF Properties Pty Ltd	Australia	Ordinary	100%	100%
ASF Resources Pty Ltd	Australia	Ordinary	100%	100%
ASF Infrastructure Group Pty Ltd	Australia	Ordinary	100%	-
Aushome China Pty Ltd	Australia	Ordinary	100%	100%
ASF China Property Fund Pty Ltd	Australia	Ordinary	100%	-
ASF China Holdings Limited	BVI	Ordinary	100%	100%
ASF (Beijing) Investment Consulting Co Ltd	China	Ordinary	100%	-
ASF Properties (Guangzhou) Co Ltd	China	Ordinary	100%	-

### Loss of control of a subsidiary

(a) **Description**

On 1 July, 2008 the consolidated group ceased consolidating its 40% interest in Macau Multinational Travel Agency Limited and from date has equity accounted for this interest.

Financial information relating to the de-recognised subsidiary which were consolidated prior to 30 June 2008 is set out below and in Note 3 Segment Reporting.

(b) **Financial performance and cash flow information**

The financial performance and cash flow information presented are for the twelve months ended 30 June 2008, that is up to the date of loss of control on 1 July 2008.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue	19,319,401	-	-	-
Expenses	(18,836,469)	-	-	-
Profit before income tax	482,932	-	-	-
Income tax	(74,539)	-	-	-
Profit after income tax of subsidiary subject to loss of control	408,392	-	-	-
Net cash inflow from operating activities	751,511	-	-	-
Net cash from investing activities	(103,287)	-	-	-
Net cash from financing activities	31,312	-	-	-
<b>Net increase in cash generated by the entity</b>	<b>679,537</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 28: SUBSIDIARIES (continued)

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(c) Carrying amounts of assets and liabilities</b>				
Cash and cash equivalents, net of bank overdraft	291,789	-	-	-
Inventories	10,374	-	-	-
Receivables	5,382,327	-	-	-
Fixed assets	280,727	-	-	-
<b>Total assets</b>	<b>5,965,217</b>	<b>-</b>	<b>-</b>	<b>-</b>
Payables	4,076,844	-	-	-
<b>Total liabilities</b>	<b>4,076,844</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>1,888,373</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Disposal of subsidiary

On 10 June 2009, ASF Resources Pty Ltd shareholding in Mongolian Resources Pty Ltd a fully owned entity was transferred for nil consideration to a non-related party. Mongolian Resources Pty Ltd had never traded since incorporation. The carrying amounts of assets and liabilities as at the date of disposal are as follows:-

	10 June 2009 \$
Amount due to ASF Resources – related party	1,875
Total liabilities	\$1,875

## NOTE 29: SUBSEQUENT EVENTS

On 12 July 2009 the Group entered into a \$2 million Loan Facility agreement with Mars International Pty Ltd ("MIPL") with the loan repayable on 30 September 2010. The Loan Facility can either be fully repaid by conversion of the loan on 31 December 2009 into either ASF Group Ltd shares at 10 cents per share or into new shares representing 20% of the issued share capital of ASF Resources Pty Limited at the discretion of MIPL, subject to ASF Group Ltd shareholders' approval. If not converted to equity, at the choice of the lender, then the loan plus interest is repayable by 30 September 2010.

The borrowing entity is ASF Group's wholly owned resources subsidiary, ASF Resources Pty Limited.

The funds will be applied in part to maintaining ASF Resources' current program of exploration for thermal coal on the company's Canning Basin tenements, subject to all requisite pre-approvals, with the view to establishing significant coal resources for future development.

On 13 August 2009 ASF Resources Pty Limited commenced its initial 10,000 metre drilling program for coal in the Canning Basin, W.A after completing all preparatory work and obtaining all necessary approvals from relevant government departments, the Kimberley Land Council (KLC) and pastoralists

ASF Resources Pty Ltd holds granted exploration tenements and applications covering 1,800 square km situated in the Fitzroy Trough within the northern most sub-basin of the Canning Basin'

The drilling program is to be carried out on four of ASF Resources' granted tenements which are situated some 15 km east of the Duchess-Paradise project of Blackfin Pty Limited where a JORC resource of 511 million tonnes of coal was publicly announced by Blackfin Pty Ltd earlier this year.

On 12 August 2009 the Company raised \$220,000 in contributed equity and on 3 September 2009 a further \$336,000 as the final allotment of the 18 million share placement approved by Directors in June 2009.

On 26 August 2009 the Company entered into an agreement with China Construction Eighth Engineering Division Ltd ('China Construction') a Chinese company which has as its ultimate parent China Construction Engineering Corporation Ltd (China's largest state-owned enterprise group with the national Grade 1 qualification for project contracting and overseas business). The Company anticipates developing an important co-operative relationship with China Construction over time, to the mutual benefit of both Groups, particularly in relation to possible future mine developments and the establishment of associated infrastructure and port facilities, with China Construction assisting in raising necessary funds and providing technical support to the projects.

On 18 September 2009 Mars International Pty Ltd gave written notice to ASF Group Limited that it wished to convert the loan of A\$2 million to 20 million ordinary shares in ASF Group Limited with the shares to be allotted and issued to MIPL as soon as practicable following ASF shareholder approval.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 30: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(Loss) from ordinary activities after income tax	(5,328,110)	(4,271,392)	(6,541,806)	(5,653,564)
Add/(less) non-cash items:				
- Provision for impairment of goodwill	1,600,000	1,000,697	-	-
- Provision for impairment of investment in associate	530,000	-	530,000	-
- Provision for impairment of investment in controlled entity	-	-	2,600,000	-
- Provision for impairment of receivables	-	-	2,701,241	4,381,402
- Bad debts	165,448	-	161,034	-
- Share based payment expense	728,100	1,313,661	668,100	1,313,661
- Depreciation and amortisation	33,086	219,848	-	-
- Disposal of plant and equipment	-	1,567	-	-
- Profit on de-recognition of controlled entity	(41,174)	-	-	-
- Write back of retained earnings on discontinued operation	(1,919)	-	-	-
- Share of profit of associate	(105,160)	-	(105,160)	-
<b>Change in assets and liabilities</b>				
(Increase) in inventories	-	(5,702)	-	-
Decrease/(Increase) in receivables	87,685	(1,186,547)	-	150,000
Decrease in deposits and prepayments	127,622	851,763	-	-
(Decrease)/increase in payables	(547,045)	246,675	-	(1,182,999)
(Decrease)/Increase in income tax payable	(251)	55,113	-	-
<b>Net cash used in operating activities</b>	<b>(2,751,718)</b>	<b>(1,774,317)</b>	<b>13,408</b>	<b>(991,500)</b>

### NOTE 31: EARNINGS PER SHARE

	Consolidated Group	
	2009 Cents per Share	2008 Cents per Share
Basic earnings per share	(2.61)	(2.63)
Diluted earnings per share	(2.61)	(2.41)

#### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:-

	2009 \$	2008 \$
Earnings (i)	(5,328,110)	(4,516,427)
	No.	No.
Weighted average number of ordinary shares (ii)	204,388,758	171,751,323

(i) Earnings used in the calculation of basic earnings per share are net profit after tax attributable to members of the parent entity (after deducting minority equity interest in financial year 2008) as per the income statement.

(ii) At balance date there were no potential shares and therefore no dilutive shares.

#### Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:-

	2009 \$	2008 \$
Earnings (i)	(5,328,110)	(4,451,476)
	No.	No.
Weighted average number of ordinary shares (ii)	204,388,758	185,084,660

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 32: SHARE-BASED PAYMENTS

The following share based payments were made during the financial year in payment for services rendered to the Group:-

Grant Date	No of Shares	Fair Value per share	Total Fair Value
1/12/2008	9,825,000	\$0.68	668,100
1/12/2008	1,000,000	\$0.60	60,000
	10,825,000	\$0.67	728,100

**(a) Fair value**

Share-based payments have been valued at 0.068 cents for 9,825,000 shares issued which was the company's market price for their shares on the date of approval of this issue by shareholders at the 2008 Annual General Meeting.

The 1,000,000 shares issued in payment of a creditor invoice was valued at \$0.06 cents being the company's weighted average market price (WWAP) for the week prior to the date of the suppliers invoice of 14 November 2009.

**(b) Expense arising from share-based payment transactions**

Total expense arising from share-based transactions during the period charged against income was \$728,100 with a corresponding amount credited to contributed equity.

## ADDITIONAL INFORMATION FOR LISTED COMPANIES

### Statement of quoted securities as at 14 September 2009

- There are 3,750 shareholders holding a total of 149,381,551 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 74.83% of the total issued shares on issue.
- The voting rights attaching to the ordinary shares, set out in Article 62 of the Company's Articles of Association, are:  
*"Subject to these Articles and to any special conditions attaching to any class of shares a member shall be entitled either personally or by proxy or by attorney or by representative to be present at any general meeting of the Company and to vote on any question on a show of hands and upon a poll and to be reckoned in a quorum".*

### Distribution of quoted securities as at 14 September 2009

Ordinary fully paid shares

Range of holding		Number of holders
1 -	1,000	1,451
1,001 -	5,000	1,198
5,001 -	10,000	534
10,001 -	100,000	548
100,001 -	and over	110
Total holders		3,750

### Substantial shareholdings as at 14 September 2009 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
FY Holdings Limited	41,620,000	17.21%
Li Zhen	20,029,375	8.28%
Goldenray Consortium(s) Pte Ltd	15,000,000	6.20%
Nga Fong Lao	13,678,000	5.65%

### On-market buy-backs

There is no on-market buy back currently in place in relation to the securities of the company.

### Restricted unquoted securities

	Number on issue	Number of holders
Ordinary shares under escrow until 29/1/2010	92,522,495	21

\* including 41,620,000 shares under escrow held by FY Holdings Ltd being 17.55% of ordinary issued shares

### Material differences to Appendix 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX on 30 August 2009.

## ADDITIONAL INFORMATION FOR LISTED COMPANIES

### TOP TWENTY SHAREHOLDERS AS AT 14 SEPTEMBER 2009

Shareholder name	Number of ordinary fully paid shares held	% of total ordinary shares on issue
FY HOLDINGS LIMITED	41,620,000	17.21
LI ZHEN	20,029,375	8.28
GOLDENRAY CONSORTIUM(S)PTE LTD	15,000,000	6.20
NGA FONG LAO	13,678,000	5.65
GOLDCHOICE INVESTMENTS LIMITED	12,042,432	4.98
UNITED LIGHT INVESTMENTS LIMITED	9,475,042	3.92
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,012,708	3.73
WAI SANG HO	8,583,333	3.55
CITIC INTERNATIONAL ASSETS MANAGEMENT LIMITED	8,380,000	3.46
STAND MORAL INTERNATIONAL LIMITED	7,800,000	3.22
YING BIAO HUANG	7,200,000	2.98
GOLD STAR INDUSTRY LIMITED	5,150,000	2.13
EURO CENTRE INTERNATIONAL LIMITED	5,101,388	2.11
SINCERE INVESTMENT GROUP LTD	4,800,000	1.98
FULL LUCKY (H K) LIMITED	3,000,000	1.24
MR ZHONG LIN ZHANG	2,499,999	1.03
CHANCELLOR MANAGEMENT PTY LTD	2,000,000	0.83
ZHONGRUI INVESTMENT GROUPS CO LTD	2,000,000	0.83
MR ALAN JOHN HUMPHRIS	1,200,000	0.50
MR JIARONG HE	1,067,605	0.44
<b>TOTAL HELD BY TOP TWENTY SHAREHOLDERS</b>	<b>179,639,882</b>	<b>74.83%</b>