

1. Company details

Name of entity:	ASF Group Limited
ABN:	50 008 924 570
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	70.2% to	1,493
Profit from ordinary activities after tax attributable to the owners of ASF Group Limited	up	107.5% to	1,456
Profit for the year attributable to the owners of ASF Group Limited	up	107.5% to	1,456

Dividends

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

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,456,000 (30 June 2017: loss of \$19,530,000).

Refer to the attached Operating and Financial Review for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.36	0.06

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Rey Resources Limited	16.32%	16.31%	(171)	(93)
ActivEX Limited	19.62%	19.62%	(127)	(122)
Key Petroleum Ltd	16.41%	19.27%	(177)	(101)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(475)	(316)

5. Audit qualification or review

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

The financial statements are currently being audited and an unqualified opinion is expected to be issued.

6. Attachments

Details of attachments (if any):

The Preliminary Financial Report of ASF Group Limited for the year ended 30 June 2018 is attached.

7. Signed

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

Signed _____

Date: 30 August 2018

Min Yang
Chairman

The operating and financial review cover the operations of the consolidated entity (referred to hereafter as the 'Group') consisting of ASF Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Financial results and commentary

For the year ended 30 June 2018, the Group achieved a positive result recording a consolidated profit after tax and non-controlling interest of \$1,456,000, compared to a loss of \$19,530,000 during the previous financial year.

Revenue from continuing operations for the year was \$1,493,000 (2017: \$877,000). Sale and marketing of Hope Island continued to provide revenue contribution to the Group. Commission revenue from the project amounted to \$592,000. In addition to the Hope Island project, the Group also provides development management service for another property development project - 'the Au, Surfers Paradise' on the Gold Coast, which is expected to generate further revenue for the Group in the upcoming years.

Contributing to the Group's positive results for the year were the funds received on conclusion of the Procurement Process for the Gold Coast Integrated Resort project and the write back of impairment of a listed investment.

In the year ahead, the Group will be in a divestment stage and continue to realise its mature investments in order to drive increased shareholder value while providing positive contributions to the Group's results.

Financial position

During the year, the Group further reduced its debts with repayment of \$10 million in convertible notes together with accrued interest in full in November 2017. As a result, outstanding convertible notes (inclusive of accrued interests) decreased significantly from \$28.7 million last year to \$17.9 million as at 30 June 2018.

Net assets at 30 June 2018 increased by 20% to \$5.6 million, as compared to \$4.7 million as at 30 June 2017.

With continuing support from Star Diamond Developments Limited ('Star Diamond'), the company entered into a Deed of Amendment on 29 December 2017 with Star Diamond to increase the convertible loan facilities ('SD Facilities') by \$5 million to a total of \$20 million with and a further extension of the maturity date to 31 October 2020. The Group has \$9 million remaining available for draw down.

Finance costs amounted to \$2,005,000 (2017: \$1,863,000) which represented mostly the interest on the convertible loan facilities.

During the financial year, the company bought back 1,122,668 shares at a cost of \$193,000.

The Group maintains a strong cash position with a balance of \$4,585,000 as at 30 June 2018.

Principal Investments

ActivEX Limited ('AIV')

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

On 14 November 2017, the company granted a \$1 million standby loan facility to AIV for a term of 1 year at an interest rate of 12% per annum. AIV had drawdown \$705,000 of the loan facility as at 30 June 2018.

The Group holds 19.6% of the issued capital of AIV with a book value of \$1.6 million, compared with its market value as at 30 June 2018 of \$4.2 million.

Rey Resources Limited ('REY')

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

On 12 October 2017, the Group entered into a loan agreement with REY for a \$1 million standby loan facility which was subsequently increased to \$2.5 million and the maturity date extended to 31 December 2019. The loan bears interest at 12% per annum. As at 30 June 2018, \$1.94 million of the loan facility had been drawn down by REY.

Subsequent to the year end on 30 July 2018, REY announced the disposal of its 100% interest in the Duchess Paradise Thermal Coal Project ('DP Project') for consideration of \$24 million which will be satisfied by \$2 million cash and a \$22

million convertible loan which will be convertible into shares of a project company upon listing on a mutually approved stock exchange (preferably the Hong Kong Stock Exchange). Mr Wei Jin, REY's Managing Director, said the transaction will give the DP Project access to the Hong Kong capital market for raising funds for future mine construction. The \$2 million deposit will help REY to partially repay debt and to fund development of projects.

As at 30 June 2018, the Group holds 16.3% of the issued capital of REY with a market value of \$11 million.

Key Petroleum Limited ('KEY')

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

As at 30 June 2018, the Group holds 16.4% of the issued capital of KEY with a market value of \$1.99 million.

Kaili Resources Limited ('KLR')

KLR is a resources exploration company which holds one Coal tenement in Queensland, three Iron and five Gold tenements in Western Australia. As of 30 June 2018, the Group held 2.24% of the issued capital of KLR.

Civil & Mining Resources Pty Ltd ('CMR')

CMR is a privately-owned company with a substantial coal tenement portfolio in Queensland. CMR's tenements are located throughout all the major coal-bearing basins in Queensland and are situated in close proximity to operating mines, infrastructure and proven economic coal resources. The major assets of CMR comprise of 14 Exploration Permits for Coal (EPCs) one Mineral Development Licence (MDL) and two Mining Lease applications (MLAs) in Queensland.

CMR has successfully completed 48 boreholes on their key project Dawson West, with a total of 10,940m drilled, geophysical logged selectively cored, sampled and analysed, which has confirmed export quality thermal coal resources with potentially mineable thickness seams extending into unexplored areas. CMR has defined a JORC ²⁰¹² code compliant resource, with a total of 876Mt (188Mt Indicated, 688Mt Inferred resource).

Following completion of the recent exploration program at the Dawson West Project, CMR Coal lodged a bulk sample pit application which has now been approved. This includes the Environmental approval and a signed Cultural Heritage Management Plan with the traditional owners.

As at 30 June 2018, the company together with its subsidiary, ASF Resources Limited, held 68.97% of the issued share capital of CMR.

Property Marketing and Services

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

Since 2015, ASFP has undertaken a development management role on a waterfront development project named 'The Peninsula, Hope Island' and situated at Hope Island, Gold Coast. The Peninsula Hope Island, which includes 45 House lots, 27 Town houses and 115 Apartments across three buildings, is Gold Coast's very last waterfront development released at the exclusive Hope Island Resort. The project is master planned by AECOM, a premier, fully integrated professional and technical services firm positioned to design, build, finance and operate infrastructure assets around the world for public and private-sector clients. ASFP is also working extensively on the project with a number of domestic professional companies relating to project management, architecture, landscaping and building etc. During the year, a marketing campaign has been launched and approximately 89% of the properties under Stage I, which comprises the housing lots, have been sold. Stage II of the project includes 17 town houses and one block of 40 apartments was also released. Currently, the Stage II town houses have been almost sold out and the construction of the apartment building has been completed. Since September 2017, ASFP has also been providing development management role for another property development 'the Au, Surfers Paradise' on the Gold Coast, which is located right on Main Beach and consists of 14 luxury residential units, two triple-level penthouse apartments with private swimming pools and 12 single floor apartments. Designed by award winning designer Greg Natale, the project offers an unprecedented standard in Gold Coast living and is also the only product to offer 15m of oceanfront views. Currently there has been strong interest expressed by potential buyers. It is expected that these two projects will continue to provide revenue contribution to ASFP in the year ahead.

In addition, ASF Properties and Sungrass Pty Ltd which is a real estate agent and property management company in Queensland, have established a Joint Venture named GCPM Pty Ltd. GCPM Pty Ltd has been providing property

management service for townhouses and apartments in the Peninsula, Hope Island since April 2018 and the rental income revenue is expected to increase in the new financial year.

Fund Management and Advisory Services

ASF Capital Pty Ltd ('ASF Capital') is the fund management and advisory arm of the Group's core strategy to facilitate two-way capital flows between Australia and Asia. ASF Capital provides services to selected Asian businesses on matters such as public listing, visa migration, and funds management in Australia.

ASF Capital operates with an Australian Financial Services Licence ('AFSL') and has a history of assisting Asian businesses enter and/or expand in Australia. ASF Capital has the capability to form any number of tailor-made wholesale funds to capture a diverse array of investment opportunities including infrastructure, real estate, mining and technology.

ASF Capital is establishing a pipeline of property funds that offer wholesale investors the opportunity to participate in high quality property development projects in New South Wales and Queensland. In partnership with the development arm of ASF, the aim is to provide outstanding financial returns to wholesale investors based on their different appetites through property development opportunities.

Furthermore, ASF Capital's strategic collaboration with an Australian venture capital firm aims to broaden opportunities in funds offerings, funds management and marketing cooperation. First among the products is a Venture Fund which will seek to make investments into Australian early stage venture capital opportunities offered by qualified Venture Capital Limited Partnerships.

Castle Green, London

The Group and the London Borough of Barking & Dagenham ('LBBD') continue to work jointly together in assessing the possible development of a major infrastructure project in the Castle Green area, which could include the building of 15,000 new residential dwellings; rerouting of the A13 trunk road and creating commercial buildings of 3,700,000 square feet which will create an estimated 8,000 employment opportunities.

The Castle Green project will be transformational for LBBD, bringing considerable social, economic and infrastructure benefits, and will be conducted together with Be First LBBD's local authority regeneration company.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ASF Group Limited

ABN 50 008 924 570

Preliminary Financial Report - 30 June 2018

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ASF Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	Consolidated 2018 \$'000	2017 \$'000
Revenue	1	1,493	877
Share of losses of associates accounted for using the equity method	3	(475)	(316)
Other income	2	13,394	6,562
Expenses			
Commission and fee expenses		(514)	(387)
Consultancy expenses		(1,664)	(1,296)
Marketing expenses		(185)	(313)
Employee benefits expense		(2,292)	(2,227)
Depreciation expense	3	(121)	(171)
Impairment of assets	3	(2,395)	(13,509)
Net fair value movements on other financial assets		(20)	(2,000)
Legal and professional fees		(1,570)	(2,608)
Corporate and administration expenses		(1,201)	(1,427)
Occupancy expenses		(1,281)	(1,245)
Finance costs	3	(2,005)	(1,863)
Profit/(loss) before income tax expense		1,164	(19,923)
Income tax expense		-	-
Profit/(loss) after income tax expense for the year		1,164	(19,923)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(30)	86
Other comprehensive income for the year, net of tax		(30)	86
Total comprehensive income for the year		<u>1,134</u>	<u>(19,837)</u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(292)	(393)
Owners of ASF Group Limited		1,456	(19,530)
		<u>1,164</u>	<u>(19,923)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(292)	(393)
Owners of ASF Group Limited		1,426	(19,444)
		<u>1,134</u>	<u>(19,837)</u>
		Cents	Cents
Basic earnings per share	15	0.21	(3.23)
Diluted earnings per share	15	0.21	(3.23)

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

	Note	Consolidated 2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		4,585	17,669
Trade and other receivables	4	176	1,248
Other		103	34
Total current assets		<u>4,864</u>	<u>18,951</u>
Non-current assets			
Other receivables	5	2,466	394
Investments accounted for using the equity method	6	14,434	10,598
Financial assets at fair value through profit or loss		79	99
Property, plant and equipment	7	260	362
Intangibles	8	3,163	4,281
Total non-current assets		<u>20,402</u>	<u>15,734</u>
Total assets		<u>25,266</u>	<u>34,685</u>
Liabilities			
Current liabilities			
Trade and other payables	9	1,518	1,196
Borrowings	10	6,125	20
Employee benefits		98	104
Total current liabilities		<u>7,741</u>	<u>1,320</u>
Non-current liabilities			
Borrowings	11	11,896	28,676
Total non-current liabilities		<u>11,896</u>	<u>28,676</u>
Total liabilities		<u>19,637</u>	<u>29,996</u>
Net assets		<u>5,629</u>	<u>4,689</u>
Equity			
Issued capital	12	113,463	113,657
Reserves	13	(777)	(747)
Accumulated losses		(105,298)	(106,754)
Equity attributable to the owners of ASF Group Limited		7,388	6,156
Non-controlling interest		(1,759)	(1,467)
Total equity		<u>5,629</u>	<u>4,689</u>

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

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	101,703	(833)	(87,224)	(1,199)	12,447
Loss after income tax expense for the year	-	-	(19,530)	(393)	(19,923)
Other comprehensive income for the year, net of tax	-	86	-	-	86
Total comprehensive income for the year	-	86	(19,530)	(393)	(19,837)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 12)	12,052	-	-	-	12,052
Share buy-back (note 12)	(98)	-	-	-	(98)
Change in non-controlling interests	-	-	-	125	125
Balance at 30 June 2017	<u>113,657</u>	<u>(747)</u>	<u>(106,754)</u>	<u>(1,467)</u>	<u>4,689</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2017	113,657	(747)	(106,754)	(1,467)	4,689
Profit/(loss) after income tax expense for the year	-	-	1,456	(292)	1,164
Other comprehensive income for the year, net of tax	-	(30)	-	-	(30)
Total comprehensive income for the year	-	(30)	1,456	(292)	1,134
<i>Transactions with owners in their capacity as owners:</i>					
Share buy-back (note 12)	(194)	-	-	-	(194)
Balance at 30 June 2018	<u>113,463</u>	<u>(777)</u>	<u>(105,298)</u>	<u>(1,759)</u>	<u>5,629</u>

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

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,369	780
Payments to suppliers (inclusive of GST)		(9,219)	(10,438)
Interest received		59	29
Interest and other finance costs paid		(2,055)	(595)
Net cash used in operating activities	16	(9,846)	(10,224)
Cash flows from investing activities			
Payments for investment in other financial assets		-	(2,700)
Proceeds from sale of investments in other financial assets		-	7,784
Payments for property, plant and equipment	7	(18)	(31)
Payments for intangibles	8	(537)	(2,119)
Payments for investment in associates		-	(670)
Funds received on conclusion of GCIR procurement process		9,082	-
Proceeds from release of security deposits		1,000	-
Net cash from investing activities		9,527	2,264
Cash flows from financing activities			
Loan to associates		(2,645)	-
Proceeds from borrowings		105	11,000
Repayment of borrowings		(10,000)	-
Proceeds from issue of shares	12	-	12,052
Payments for share buy-backs	12	(193)	(98)
Cost of share buy-back	12	(1)	-
Net cash (used in)/from financing activities		(12,734)	22,954
Net (decrease)/increase in cash and cash equivalents		(13,053)	14,994
Cash and cash equivalents at the beginning of the financial year		17,669	2,497
Effects of exchange rate changes on cash and cash equivalents		(31)	178
Cash and cash equivalents at the end of the financial year		4,585	17,669

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

Note 1. Revenue

	Consolidated	
	2018	2017
	\$'000	\$'000
<i>Sales revenue</i>		
Commission revenue	653	509
Corporate services	342	338
Marketing fees	200	-
Rental income	107	-
	<u>1,302</u>	<u>847</u>
<i>Other revenue</i>		
Interest	191	30
Revenue	<u><u>1,493</u></u>	<u><u>877</u></u>

Note 2. Other income

	Consolidated	
	2018	2017
	\$'000	\$'000
Net fair value gain on other financial assets	-	42
Net gain on disposal of investments	-	1,094
Reversal of impairment in equity accounted investments	4,312	5,426
Funds received on conclusion of the procurement process of Gold Coast Integrated Resort project	9,082	-
Other income	<u><u>13,394</u></u>	<u><u>6,562</u></u>

Note 3. Expenses

	Consolidated	
	2018 \$'000	2017 \$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	74	114
Plant and equipment	41	49
Motor vehicles	6	8
Total depreciation	121	171
<i>Impairment of assets</i>		
Mining exploration and evaluation expenditures	1,655	1,392
Capitalised project costs	-	12,085
Bad debts	5	32
Impairment of loan to ActivEX Limited	735	-
Total impairment of assets	2,395	13,509
<i>Share of losses of associates</i>		
Rey Resources Limited	171	93
ActivEX Limited	127	122
Key Petroleum Ltd	177	101
Total share of losses of associates	475	316
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,005	1,863
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,281	1,203
<i>Superannuation expense</i>		
Defined contribution superannuation expense	118	121

Note 4. Current assets - trade and other receivables

	Consolidated	
	2018 \$'000	2017 \$'000
Trade receivables	4	24
Other receivables	172	1,224
Loan receivable from associates - ActivEx Limited	705	-
Less: Provision for impairment of receivables	(705)	-
	172	1,224
	176	1,248

Loan Receivable

On 14 November 2017, the Group entered into a loan facility agreement with its associate, ActiveEX Limited (ASX: AIV). Pursuant to the agreement the Group will provide up to \$1 million in standby funding for AIV's exploration activities and general working capital. Interest will accrue at 12% per annum. Repayment of the loan facility is due on 13 November 2018, or earlier at the Group's election upon 3 months' notice to AIV.

Note 5. Non-current assets - Other receivables

	Consolidated	
	2018	2017
	\$'000	\$'000
Deposits	424	394
Loan receivable from associates - Rey Resources Limited	2,042	-
	<u>2,466</u>	<u>394</u>

Loan Receivable

On 12 October 2017, the Group entered into a loan facility agreement with its associate, Rey Resources Limited (ASX: REY). Pursuant to the agreement the Group will provide up to \$1 million in standby funding for REY's exploration activities and general working capital for a term of one year. Interest will accrue at 12% per annum. The loan facility was subsequently increased to \$2.5 million and the maturity date extended to 31 December 2019.

Note 6. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2018	2017
	\$'000	\$'000
Rey Resources Limited (ASX: REY)	11,074	6,933
ActivEX Limited (ASX: AIV)	1,568	1,696
Key Petroleum Ltd (ASX: KEY)	1,792	1,969
	<u>14,434</u>	<u>10,598</u>

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	2018	2017
	\$'000	\$'000
Leasehold improvements - at cost	611	611
Less: Accumulated depreciation	(488)	(414)
	<u>123</u>	<u>197</u>
Plant and equipment - at cost	418	398
Less: Accumulated depreciation	(306)	(264)
	<u>112</u>	<u>134</u>
Motor vehicles - at cost	48	48
Less: Accumulated depreciation	(23)	(17)
	<u>25</u>	<u>31</u>
	<u>260</u>	<u>362</u>

Note 7. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2016	299	164	39	502
Additions	11	20	-	31
Exchange differences	1	(1)	-	-
Depreciation expense	(114)	(49)	(8)	(171)
Balance at 30 June 2017	197	134	31	362
Additions	-	18	-	18
Exchange differences	-	1	-	1
Depreciation expense	(74)	(41)	(6)	(121)
Balance at 30 June 2018	123	112	25	260

Note 8. Non-current assets - intangibles

	Consolidated	
	2018 \$'000	2017 \$'000
Mining exploration and evaluation expenditures - at cost	3,163	4,281

Reconciliations

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

Consolidated	Mining exploration and evaluation expenditures \$'000	Capitalised project costs \$'000	Total \$'000
Balance at 1 July 2016	5,088	10,551	15,639
Additions	585	1,534	2,119
Write-off of assets	(1,392)	(12,085)	(13,477)
Balance at 30 June 2017	4,281	-	4,281
Additions	537	-	537
Write-off of assets	(1,655)	-	(1,655)
Balance at 30 June 2018	3,163	-	3,163

Note 9. Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade payables	120	582
Interest payable	896	166
Other payables	502	448
	<u>1,518</u>	<u>1,196</u>

Note 10. Current liabilities - borrowings

	Consolidated	
	2018	2017
	\$'000	\$'000
Convertible notes payable	6,000	-
Loan payable	20	20
Other loans	105	-
	<u>6,125</u>	<u>20</u>

Convertible notes payable

In April 2015, the company issued a \$6,000,000 unsecured convertible note ('OAIL Note') to Oceanic Alliance Investments Limited ('OAIL') which carried interest at the rate of 5% per annum with the maturity date of 2 April 2017. On 30 March 2017, the OAIL Note was extended by 3 months and the interest rate was increased from 5% to 10%. On 13 June 2017, the company and OAIL agreed to amend the terms of the OAIL Note, pursuant to which the maturity date is further extended to 1 March 2019 and, other than conversion in the company's shares, the OAIL Note can be converted into shares of any of the company's subsidiaries at a mutually agreed price. The OAIL Note has been fully drawn down.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	2018	2017
	\$'000	\$'000
Convertible notes payable	<u>11,896</u>	<u>28,676</u>

Convertible notes

The company is party to the following convertible notes:

On 28 August 2015, the company issued unsecured convertible notes to a series of sophisticated investors for an aggregate amount of \$7,500,000 ('\$7.5M Notes') which carried interest at the rate of 5% per annum with maturity date of 31 December 2016. On 25 December 2015, the company entered into Deeds of Amendment and Restatement with respective holders of the \$7.5M Notes pursuant to which the interest rate was changed to 8%. On 2 June 2016, the company issued a further \$2,500,000 of convertible notes (together with the \$7.5M Notes, the '\$10M Notes') which bear the same terms as the \$7.5M Notes. In November 2017, the company repaid in full the \$10M Notes together with accrued interest by cash.

On 15 September 2016, the company entered into a convertible loan agreement with Star Diamond Developments Limited ('Star Diamond') pursuant to which Star Diamond granted a convertible loan facility of \$5,000,000 to the company at an interest rate of 10% with the maturity date of 31 December 2018 which has been subsequently extended to 31 October 2020. The facility has been fully drawn down.

Note 11. Non-current liabilities - borrowings (continued)

On 21 March 2017, the company entered into a convertible loan agreement with Star Diamond pursuant to which Star Diamond granted a convertible loan facility of \$10,000,000 to the company at an interest rate of 10% with the maturity date of 30 June 2018. The loan facility was subsequently increased to \$15,000,000 and the maturity date extended to 31 October 2020. Interest is payable in cash on a quarterly basis. The company may, at its sole discretion, repay the outstanding loan and interest by either one or combination of (i) the issue of shares in the company's subsidiaries or (ii) the transfer of securities held by the company or its subsidiaries; or (iii) cash. An amount of \$6,000,000 has been drawn down at 30 June 2018.

Note 12. Equity - issued capital

	2018 Shares	Consolidated 2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares - fully paid	677,395,157	678,517,825	113,463	113,657

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2016	603,671,843		101,703
Issuance of shares	28 June 2017	75,323,813	\$0.160	12,052
Share buy-back	1 July 2016 - 30 June 2017	(477,831)	\$0.205	(98)
Balance	30 June 2017	678,517,825		113,657
Share buy-back	1 July 2017 - 30 June 2018	(1,122,668)	\$0.172	(193)
Cost of share buy-back		-	\$0.000	(1)
Balance	30 June 2018	677,395,157		113,463

Ordinary shares

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

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

Share buy-back

During the year, the company spent \$194,000 on share buy-backs. The buy-back program was extended for 12 months to 22 May 2019.

Note 13. Equity - reserves

	Consolidated 2018 \$'000	2017 \$'000
Foreign currency reserve	188	218
Non-controlling interests reserve	(965)	(965)
	(777)	(747)

Note 13. Equity - reserves (continued)

Foreign currency reserve

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

Non-controlling interest reserve

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

Consolidated	Foreign currency reserve \$'000	Non- controlling interest reserve \$'000	Total \$'000
Balance at 1 July 2016	132	(965)	(833)
Foreign currency translation	86	-	86
Balance at 30 June 2017	218	(965)	(747)
Foreign currency translation	(30)	-	(30)
Balance at 30 June 2018	<u>188</u>	<u>(965)</u>	<u>(777)</u>

Note 14. Equity - dividends

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

Note 15. Earnings per share

	Consolidated 2018 \$'000	2017 \$'000
Profit/(loss) after income tax	1,164	(19,923)
Non-controlling interest	292	393
Profit/(loss) after income tax attributable to the owners of ASF Group Limited	<u>1,456</u>	<u>(19,530)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	677,871,061	604,045,958
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>677,871,061</u>	<u>604,045,958</u>
	Cents	Cents
Basic earnings per share	0.21	(3.23)
Diluted earnings per share	0.21	(3.23)

Note 16. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2018	2017
	\$'000	\$'000
Profit/(loss) after income tax expense for the year	1,164	(19,923)
Adjustments for:		
Depreciation and amortisation	121	171
Impairment of intangibles	1,655	-
Share of loss - associates	475	316
Impairment of intangible assets	-	13,477
Impairment (reversal)/loss of investment in associates	(4,312)	(3,426)
Funds received on conclusion of GCIR procurement process	(9,082)	-
Non-cash transactions - finance cost	-	1,254
Foreign exchange differences	-	2
Bad debts	739	32
Net fair value loss/(gain) on investments	20	(42)
Profit on disposal of investment	-	(1,094)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(164)	(554)
Decrease in trade and other payables	(412)	(437)
Decrease in other operating liabilities	(50)	-
Net cash used in operating activities	<u>(9,846)</u>	<u>(10,224)</u>

Changes in liabilities arising from financing activities

	Convertible notes \$'000	Loan payable \$'000	Other loans \$'000	Total \$'000
Consolidated				
Balance at 1 July 2016	16,588	20	-	16,608
Net cash from financing activities	11,000	-	-	11,000
Interest payable	1,088	-	-	1,088
Balance at 30 June 2017	28,676	20	-	28,696
Net cash (used in)/from financing activities	(10,000)	-	105	(9,895)
Interest payable	(780)	-	-	(780)
Balance at 30 June 2018	<u>17,896</u>	<u>20</u>	<u>105</u>	<u>18,021</u>

Note 17. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.