

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2012



ASF Group Limited

A.B.N. 50 008 924 570

APPENDIX 4E

Preliminary Final Report

ASF Group Limited (the "Company")	
A.B.N 50 008 924 570	Financial Year ended 30 June 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A

Revenues from ordinary activities	Up	9%	To	1,653,349
Profit from ordinary activities after tax attributable to members	Up	1,393%	To	21,263,423
Net profit for the year attributable to members	Up	1,393%	To	21,263,423
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	No final dividend proposed			
Previous corresponding period	Nil		Nil	

Entity over which control has been gained during the period

Name	Date of gain of control	Contribution to net profits/(losses), where material	
		2012 \$	2011 \$
Kaili International Resource Ltd	12/08/2011	(6,774)	-

Entities over which control has been lost during the period

Name	Date of loss of control	Contribution to net profits/(losses), where material	
		2012 \$	2011 \$
Kaili International Resource Ltd	24/10/2011	(6,774)	-
ASF Resources Limited	23/12/2011	(106,248)	(718,118)

Associates and Joint Venture entities

Name	Ownership interest		Aggregate share of profits/(losses), where material		Contribution to net profits/(losses), where material	
	2012 %	2011 %	2012 \$	2011 \$	2012 \$	2011 \$
China Coal Resources Pty Ltd	45%	45%	(55,381)	(30,297)	(55,381)	(30,297)
Kaili International Resource Ltd	20%	-	(42,649)	-	(42,649)	-
ASF Resources Limited	48.95%	89%	(75,226)	-	(75,226)	-

Pursuant to the agreement with Longluck Investment (Australia) Pty Ltd (the holding company being Beijing Guoli Energy Investment Co., Ltd), the Company shall within 12 months from 23 December 2011 demerge ASF Resources Limited (“ASFR”) by way of distribution of not less than 80% of its interest in ASFR to shareholders of the Company (“Demerger”). The interest to be distributed to shareholders under the Demerger is classified as an investment held for distribution and the remaining interest of approximately 9.25% after the Demerger was accounted for as an investment in associate by using equity accounting method.

Commentary on the results:

Financial results

Revenue from continuing operations of the Company and its controlled entities (together the "Group") for the financial year ended 30 June 2012 increased by 9% to \$1,653,349 (2011: \$1,517,834).

Consolidated profit after tax attributable to members of the Company increased considerably amounting to \$21,263,432, compared with a loss of \$1,643,961 for the previous year.

The significant increase in profits was contributed by the following items:

- Gain of revaluation of investments in ASFR of approximately \$17.7 million; and
- Gain of approximately \$7 million recognised on the sale on 80% interest in Kaili.

While the profits were generated predominantly from one-off transactions, these transactions were consistent with the Company's strategy. This business strategy includes the transformation of early-stage Australian resource opportunities into deliverable projects through joint venturing with the Company's expanding network of major Chinese mining, trading and strategic investor partners. The Directors believe that similar opportunities will continue to emerge in future.

On 16 February 2012, the Company announced a share buy-back proposal pursuant to which the Company is able to purchase on the ASX market up to 10% of its issued shares within 12 months from 2 March 2012. Up to 30 June 2012, the Company has spent approximately \$1.5 million on the share buy-back.

The Group continues to maintain a strong financial position with approximately \$7.1 million of cash as at 30 June 2012. As at the balance sheet date, the Group does not have any outstanding loans or debts.

Investments

Consistent with its strategy, the Company invested in other potential resources company including **ActivEX Limited** ("AIV") in May 2012. As a consequence the Company became a substantial shareholder of AIV holding approximately 13.04% of its then issued capital.

The Company also announced in June 2012 the subscription of shares in **Rey Resources Limited** ("Rey") and became a substantial shareholder holding 6.01% of its then issued capital. Subject to its shareholders approval and upon completion of the second tranche of the subscription, the Company will hold an interest of approximately 22.7% of the enlarged issued capital of Rey.

Minerals and Resources

During the financial year the Company's primary focus was on adding value to the Group's mineral tenements, particularly those in the Canning Basin of Western Australia, which are held by the Group's 48.95% owned associate, ASFR.

ASFR's Canning Basin Project comprises 7 exploration licences covering a total area of 1,496km². The target commodity of the Canning Basin tenements is sub bituminous thermal coal within the Permian Lightjack Formation.

In January 2012, ASFR completed a \$16M capital injection by Longluck Investment (Australia) Pty Ltd (the holding company is Beijing Guoli Energy Investment Co., Ltd). The injection of new capital, will facilitate a proposed expansion of ASFR's exploration and related activities.

In the first quarter of 2012, Geos Mining began detailed desktop studies of the Canning Basin tenements and is assisting ASFR with various facets of the exploration program, including exploration planning and heritage inspections and clearances. The drilling program currently being undertaken was planned during the financial year completed and includes exploration of the down dip extension in ASFR's tenements which are adjacent to tenements held by Rey containing Duchess Paradise coal project resources.

As announced on 15 June 2012, the Company has entered into two subscription agreements (the "Subscription Agreements") with Rey pursuant to which the Company will subscribe for up to 115 million new ordinary shares in the capital of Rey at \$0.12 per share by two tranches (the "Rey Subscription"). The Company has completed the subscription of 25 million shares under the first tranche and is currently interested in 6.01% in the issued capital of Rey. Upon completion of the second tranche of Rey Subscription, ASF will hold an interest of approximately 22.7% of the enlarged issued capital of Rey. ASF will seek to assist Rey to facilitate the development of its Duchess-Paradise project as a thermal coal mine, exporting coal through the port of Derby.

ASF Kaili Resources Pty Limited ("ASF Kaili") has also employed the services of Geos Mining in order to assist with various facets of the exploration program, including exploration planning and heritage inspections and clearances. A drilling program is planned for later in this financial year pending heritage clearance approval from the local Aboriginal communities.

In Tasmania, the Group has interests in five granted tenements, two of which lie within the Cambrian Mount Read Volcanics which host several world class polymetallic mines. In April 2010 the Company entered into a cooperative agreement with China Coal Geology Engineering Corporation ("CCGEC") and then in early 2011, the joint venture of China Coal Resources ("CCR") was formed. The Group announced in July 2012 that CCGEC increased its stakes in CCR by subscribing 800,000 new ordinary shares representing 20% of the enlarged issued capital of CCR for \$600,000 and, as a consequence, CCGEC is now holding 75% interest in CCR.

CCR has conducted field work in the Wilmot and Lake Pieman areas including geological reconnaissance, soil sampling and drainage geochemical surveys. CCR has also recently received approvals for two tenement applications in the Queensland Bowen Basin and is currently in the phase of exploration planning.

Property Marketing and Services

ASF Properties Pty Ltd continues to provide property and marketing services. The company will mainly focusing on building and extending our network in the Greater China Area.

Through existing and new networks we have achieved successful sales of Australian property projects within China such as: Breakfast Point, Inmark and Hyde Park Residence.

To fully utilize the increasing Chinese investment into Australia, ASF Properties will not only take advantage of wealthy individual property investment opportunities, but also extend our property services to Chinese developers. ASF Properties sources projects and can now provide market analysis along with development feasibility studies to Chinese investors. Providing such access into the Australian market alongside the existing property marketing services will help to further grow the business.

Fund Management and Advisory Services

ASF Balmoral Pty Limited, the Group's 75% owned entity, holds an Australian Financial Services Licence and operates as the financial services arm of the Group. Its main services comprise the marketing of Fund Management products to the Australian wholesale investor markets and also the provision of corporate advisory services.

ASF Balmoral represents Hong Kong based Fund Manager, Marco Polo Pure Asset Management, a specialist award winning China A share manager in the Australian market. In the year ended, ASF Balmoral was appointed by Cadence Capital, a long biased Australian equities manager and also by LaTrobe Financial, to assist with the raising of institutional monies. Cadence has an outstanding 8 year track record of performance. LaTrobe Financial manages \$1.6 billion of Australian residential and commercial mortgage investments with a 60 year track record as a specialist residential mortgage lender dedicated to successfully managing both retail and wholesale mandates. Uncertain global investor market conditions have prevailed throughout the year ended which has slowed investment decision making.

The corporate advisory services are provided both within ASF Group and to external clients. ASF Balmoral advises and assists companies with the raising of capital and to implement IPOs, acquisitions and other transactions. Increased activity is anticipated in the year commencing 1 July 2012.

Resources Trading

Building on the success of its first trial shipment of coal in 2011, ASF Energy continues to explore methods of export for iron and steel residue product. Given the uncertainties in the current commodities market, ASF Energy continues to assess the prospects of further shipments of coal and other mineral resources with a view to the resources trading business making a positive contribution to the Group's results.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
Revenue from continuing operations	2	1,653,349	1,517,834
Other income	3	342,530	2,675,628
Cost of sales		(564,855)	(1,996,811)
Marketing expenses		(228,100)	(188,607)
Consultants expenses		(1,288,146)	(946,721)
Occupancy expenses		(354,105)	(408,532)
Professional fees		(166,347)	(235,749)
Administration expenses		(422,477)	(331,047)
Employment expenses		(934,712)	(676,567)
Corporate expenses		(90,951)	(79,571)
Depreciation and amortisation expense	4	(38,489)	(28,845)
Legal expenses		(94,154)	(55,913)
Finance income/(costs)	4	21,347	(9,798)
Share-based payments	4	-	(48,500)
Impairment of goodwill	4	(141,792)	-
Impairment of available for sale financial assets	4	(657,491)	-
Loss on loss of significant influence over associate	4	-	(405,534)
Other expenses		(9,669)	(492,530)
(Loss) on liquidation of subsidiaries		-	(5,812)
Share of net (loss) of associate		(173,076)	(30,297)
Gain on loss of control over subsidiaries		24,754,062	-
Profit/(loss) before income tax		21,606,924	(1,747,372)
Income tax expense		(418,154)	-
Profit/(loss) for the year		21,188,770	(1,747,372)
Profit/(Loss) is attributable to:			
Members of the parent entity		21,263,423	(1,643,961)
Non-controlling interest		(74,653)	(103,411)
		21,188,770	(1,747,372)
Other Comprehensive Income/(Expense)			
Recognition of foreign currency translation reserves on loss of associate		-	405,534
Exchange differences on translation of foreign currency		(64,846)	60,006
Other Comprehensive (Expense)/Income for the year		(64,846)	465,540
Total Comprehensive Profit/(Loss) for the year		21,123,924	(1,281,832)
Total Comprehensive profit/(loss) for the year is attributable to:			
Members of the parent entity		21,198,577	(1,178,421)
Non-controlling interest		(74,653)	(103,411)
		21,123,924	(1,281,832)
Earnings per share for loss attribute to the ordinary equity holders of the Company:			
Basic (cents per share)	16	6.88	(0.53)
Diluted (cents per share)	16	6.88	(0.53)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		7,103,469	5,888,769
Trade and other receivables		755,678	447,193
Other current assets		87,464	67,914
Total current assets		7,946,611	6,403,876
Non-current assets			
Other receivables		159,616	228,668
Plant and equipment	6	128,028	115,703
Investments in associates	7	5,974,127	1,278,794
Available-for-sale financial asset	8	2,296,505	634,168
Held-for-distribution investment	9	14,015,555	-
Mining tenements and exploration	10	657,272	2,848,516
Intangible assets		-	141,792
Total non-current assets		23,231,103	5,247,641
Total assets		31,177,714	11,651,517
LIABILITIES			
Current liabilities			
Trade and other payables		1,745,715	1,883,046
Deferred revenue		-	64,989
Provisions		13,480	35,660
Total current liabilities		1,759,195	1,983,695
Non-current liabilities			
Deferred tax liabilities		418,154	-
Other non-current liabilities		-	1,000,000
Total non-current liabilities		418,154	1,000,000
Total liabilities		2,177,349	2,983,695
Net assets		29,000,365	8,667,822
EQUITY			
Contributed equity		54,583,282	54,258,787
Reserves		2,714,580	4,152,370
Accumulated losses	11	(28,176,080)	(49,439,503)
Capital and reserves attributable to members of the parent entity		29,121,782	8,971,654
Non-controlling interest	12	(121,417)	(303,832)
Total equity		29,000,365	8,667,822

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Note	Contributed equity	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2010		54,258,787	1,631,889	(47,795,542)	8,095,134	-	8,095,134
(Loss) for the year		-	-	(1,643,961)	(1,643,961)	(103,411)	(1,747,372)
Other comprehensive income		-	465,540	-	465,540	-	465,540
Total comprehensive loss for the year		-	465,540	(1,643,961)	(1,178,421)	(103,411)	(1,281,832)
Transaction with owners in their capacity as owners:							
Share-based payments	11	-	48,500	-	48,500	-	48,500
Transactions with non-controlling interests		-	2,006,441	-	2,006,441	-	2,006,441
Non-controlling interest on acquisition of subsidiary		-	-	-	-	(200,421)	(200,421)
		-	2,054,941	-	2,054,941	(200,421)	1,854,520
Balance at 30 June 2011		54,258,787	4,152,370	(49,439,503)	8,971,654	(303,832)	8,667,822
Balance at 1 July 2011		54,258,787	4,152,370	(49,439,503)	8,971,654	(303,832)	8,667,822
Profit for the year		-	-	21,263,423	21,263,423	(74,653)	21,188,770
Exchange differences on translation of foreign currency		-	(64,846)	-	(64,846)	-	(64,846)
Total comprehensive profit for the year		-	(64,846)	21,263,423	21,198,577	(74,653)	21,123,924
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		1,880,000	-	-	1,880,000	-	1,880,000
Share buy-back		(1,555,505)	-	-	(1,555,505)	-	(1,555,505)
Asset revaluation reserve		-	(1,372,944)	-	(1,372,944)	-	(1,372,944)
Non-controlling interest		-	-	-	-	257,068	257,068
		324,495	(1,372,944)	-	(1,048,449)	257,068	(791,381)
Balance at 30 June 2012		54,583,282	2,714,580	(28,176,080)	29,121,782	(121,417)	29,000,365

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,646,727	1,266,789
Payments to suppliers and employees		(5,039,822)	(4,083,739)
Interest received		341,562	66,957
Interest paid		-	-
Income tax (paid)/received(net)		-	(4,933)
Net cash (outflow) from operating activities	13	(3,051,533)	(2,754,926)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(578,347)	(641,776)
Payment for PP&E		(55,079)	(78,583)
Investment in associates		-	(82)
Investment in available-for-sale financial asset		(3,669,449)	-
Investment in subsidiaries		234	(159,850)
Proceeds for disposal of subsidiary		4,628,188	(5,812)
Loan to related parties		(311,069)	-
Repayment of loans by related parties		4,982,892	-
Net cash inflow (outflow) from investing activities		4,997,370	(886,103)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1,000,000
Repayment of borrowings		(1,000,000)	-
Proceeds from share issue		1,870,723	-
Payment for share buyback		(1,546,227)	-
Proceeds received in advance for issue of shares of a subsidiary		-	1,000,000
Transactions with non-controlling interests		-	1,800,000
Proceeds from forfeiture of non-refundable deposit		-	1,500,000
Net cash (outflow) inflow from financing activities		(675,504)	5,300,000
Other non-cash items			
Net increase/(decrease) in cash held		1,270,333	1,658,971
Cash and cash equivalents at the beginning of the financial year		5,888,769	4,324,705
Effect of exchange rate changes on cash and cash equivalents		(55,633)	(94,907)
Cash and cash equivalents at the end of the year		7,103,469	5,888,769

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

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of ASF Group Limited and its subsidiaries.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

The consolidated financial statements of the ASF Group Limited group and the separate financial statements of ASF Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2 REVENUE

	2012	2011
	\$	\$
Revenue from continuing operations		
- Resources trading	-	1,007,835
- Commission revenue	836,734	481,749
- Corporate services	811,615	28,250
- Fund management and advisory service	5,000	-
	1,653,349	1,517,834

3 OTHER INCOME

	2012	2011
	\$	\$
Forfeiture of deposit ⁽ⁱ⁾	-	1,500,000
Gain on incorporation of an associate ⁽ⁱⁱ⁾	-	1,103,934
Interest received	341,563	66,957
Others	967	4,737
	342,530	2,675,628

(i) This represents a non-refundable deposit paid by Yongbin International Holdings Limited ("Yongbin") on its proposed subscription of 20% interest in ASF Resources Limited. Yongbin did not pay the balance of the subscription money by 21 April 2011 and the deposit was forfeited in accordance with the agreement.

(ii) This represents gain on incorporation of an associate, China Coal Resources Pty Ltd, which holds two tenements in Tasmania – EL15/2007 and EL55/2007. ASF Group holds a 45% equity interest in China Coal Resources Pty Ltd.

4 EXPENSES

	2012	2011
	\$	\$
Loss before income tax includes the following specific expenses:		
Commission expenses	564,855	321,612
Finance (income)/costs	(21,347)	9,798
Rental expenses on operating leases		
- minimum lease payments	315,721	178,451
Impairment of goodwill	141,792	-
Impairment of available for sale financial assets	657,491	-
Depreciation expense	38,489	28,845
Share-based payments expensed	-	48,500
Loss on loss of significant influence over associate	-	405,534
Net foreign exchange (gain)/losses included in other expenses for the year	(29,603)	154,913

5 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports received by the Board that are used to make strategic decisions. The Board considers the business from both a business and geographic perspective.

(b) Segment information – operating segments

The segment information provided to the Board for the year ended 30 June 2012 is as follows:

30 June 2012	Property marketing and services	Mineral and resources	Resources trading	Corporate services	Fund management and advisory services	Eliminations	Total
	\$	\$	\$	\$	\$	\$	\$
Segment revenue							
Sales	836,734	-	-	1,403,992	5,000	(592,377)	1,653,349
Other income	41	1,177	69	364,978	1,890	(25,625)	342,530
Total segment revenue	836,775	1,177	69	1,768,970	6,890	(618,002)	1,995,879
Gain on loss of control over subsidiaries	-	21,785,950	-	-	-	2,968,112	24,754,062
Share of loss from associate	-	(173,076)	-	-	-	-	(173,076)
Segment result	92,018	(106,791)	(8,306)	23,614,757	(284,313)	(2,118,595)	21,188,770
Segment assets	203,572	6,435,861	851,298	39,724,633	49,095	(16,086,745)	31,177,714
Segment liabilities	1,045,811	9,693,578	3,839,131	13,973,551	604,820	(26,979,542)	2,177,349
30 June 2011							
Segment revenue							
Sales	481,749	-	1,007,835	1,618,250	296,066	(1,886,066)	1,517,834
Other income	55	3,542	2,476	4,364,926	1,737	(1,697,108)	2,675,628
Total segment revenue	481,804	3,542	1,010,311	5,983,176	297,803	(3,583,174)	4,193,462
Loss on liquidation of subsidiaries	-	-	-	-	(5,812)	-	(5,812)
Share of loss from associate	-	(30,297)	-	-	-	-	(30,297)
Segment result	10,549	(762,203)	(2,064,899)	3,530,682	(473,175)	(1,988,326)	(1,747,372)
Segment assets	458,643	3,623,067	740,114	14,217,117	214,755	(7,602,179)	11,651,517
Segment liabilities	1,245,514	5,649,001	3,719,642	11,941,851	925,499	(20,497,812)	2,983,695

(c) Segment information – geographical segments

	Segment revenues from sales to external customers		Segment assets	
	2012	2011	2012	2011
	\$	\$	\$	\$
Australia	1,124,070	4,193,007	41,853,365	19,167,573
China	1,121,657	455	5,411,094	86,123
Eliminations	(592,378)	-	(16,086,745)	(7,602,179)
TOTAL	1,653,349	4,193,462	31,177,714	11,651,517

(d) Other segment information

Revenue for property marketing and services represents commission income received from the sale of properties owned by customers in Australia.

Revenue for corporate services mainly represents corporate fees charged to other subsidiaries. The corporate fees were based on the estimation of time spent and works undertaken by the management of the Group.

The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from the sale of coalfine, from the provision of corporate advisory services and from the marketing of properties.

6 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Motor Vehicles	TOTAL
	\$	\$	\$	\$
At 1 July 2010				
Cost	60,554	124,231	29,991	214,776
Accumulated depreciation	(31,488)	(105,269)	(15,832)	(152,589)
Net book amount	29,066	18,962	14,159	62,187
Year ended 30 June 2011				
Opening net book amount	29,066	18,962	14,159	62,187
Additions	28,853	10,401	54,545	93,799
Disposals	-	-	(11,677)	(11,677)
Depreciation charge	(16,158)	(8,860)	(3,827)	(28,845)
Exchange difference	120	119	-	239
Closing net book amount	41,881	20,622	53,200	115,703
At 30 June 2011				
Cost	89,407	134,632	54,545	278,584
Accumulated depreciation	(47,526)	(114,010)	(1,345)	(162,881)
Net book amount	41,881	20,622	53,200	115,703
Year ended 30 June 2012				
Opening net book amount	41,881	20,622	53,200	115,703
Deconsolidation of subsidiary	(5,053)	-	-	(5,053)
Additions	55,079	-	-	55,079
Disposals	-	-	-	-
Depreciation charge	(20,448)	(7,567)	(10,640)	(38,655)
Exchange difference	547	407	-	954
Closing net book amount	72,006	13,462	42,560	128,028
At 30 June 2012				
Cost	135,354	135,116	54,545	325,015
Accumulated depreciation	(63,348)	(121,654)	(11,985)	(196,987)
Net book amount	72,006	13,462	42,560	128,028

7 NON-CURRENT ASSETS – INVESTMENT IN ASSOCIATES

	2012 \$	2011 \$
China Coal Resources Pty Ltd	1,223,413	1,278,794
ASF Resources Ltd	3,213,663	-
Kaili International Resource Ltd	1,537,051	-
	5,974,127	1,278,794

Upon completion of the subscription by Longluck Investment (Australia) Pty Ltd (the holding company being Beijing Guoli Energy Investment Co., Ltd) ("Guoli") of 45% interest in ASFR, the Company's interest in ASFR was accordingly diluted to 48.95%. In accordance with the applicable Australian Accounting Standards, the interest held by the Company has been revalued to its fair value of which \$14,015,555 was classified as an investment held for distribution (Note 9) and the remaining interest in the fair value of \$3,213,663 was accounted for as an investment in associate by using equity accounting method.

In June 2011, the Company entered into an Investment and Cooperation Agreement with Kaili Holdings Limited for the sale of 80% interest in two exploration licenses in Ellendale, Western Australia for \$6 million. Upon completion of the said agreement, 80% interest in the issued share capital of Kaili International Resource Ltd ("KIR"), the intermediate holding company of the subject tenements, were transferred to Kaili Holdings Limited. The remaining 20% interest in KIR was revalued and accounted for as an investment in associate by using equity accounting method.

8 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSET

	2012 \$	2011 \$
Investment in MYTA	-	634,168
Investment in ActivEX Limited	421,505	-
Investment in Rey Resources Limited	1,875,000	-
	2,296,505	634,168

The Company has no participation or influence on the decision making process of Macau Multinational Travel Agency Limited ("MYTA"). The management is of the view that MYTA will not be able to provide any profit contribution to the Company and it is unlikely that the fair value of the investment can be recovered. The management is therefore considered that it is appropriate to make a full impairment on the investment.

During the year, the Company subscribed for 24,794,398 shares in ActivEX Limited at 2.7 cents per share and 25 million shares in Rey Resources Limited at \$0.12 per share. The investments were revalued to the fair value as at the balance sheet date.

9 NON-CURRENT ASSETS – INVESTMENT HELD FOR DISTRIBUTION

	2012 \$	2011 \$
Investment held for distribution	14,015,555	-

Pursuant to the agreement with Guoli, the Company shall within 12 months after completion demerge ASFR by way of distribution of not less than 80% of its interest in ASFR to shareholders of the Company ("Demerger"). The interest to be distributed to shareholders under the proposed Demerger was classified as an investment held for distribution.

10 NON-CURRENT ASSETS – MINING TENEMENTS AND EXPLORATION

	2012 \$	2011 \$
Exploration and development costs	657,272	2,848,516

11 RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2012 \$	2011 \$
Share based payments	2,235,261	2,235,261
Foreign currency translation	(154,178)	(89,332)
Transactions with non-controlling interests	2,006,441	2,006,441
Revaluation reserve	(1,372,944)	-
	<u>2,714,580</u>	<u>4,152,370</u>

Movements:	2012 \$	2011 \$
<i>Share-based payments</i>		
Balance 1 July	2,235,261	2,186,761
Shares issued to consultant for service rendered	-	48,500
Balance 30 June	<u>2,235,261</u>	<u>2,235,261</u>
<i>Foreign currency translation</i>		
Balance 1 July	(89,332)	(554,872)
Recognition of foreign currency translation reserves of associate	-	405,534
Exchange differences on translation of foreign currency	(64,846)	60,006
Balance 30 June	<u>(154,178)</u>	<u>(89,332)</u>
<i>Transactions with non-controlling interests</i>		
Balance 1 July	2,006,441	-
Sale of shares in subsidiary to non-controlling interests	-	2,006,441
Balance 30 June	<u>2,006,441</u>	<u>2,006,441</u>
<i>Revaluation reserve</i>		
Balance 1 July	-	-
Provision for impairment in ActivEX Limited	(247,944)	-
Provision for impairment in Rey Resources Limited	(1,125,000)	-
Balance 30 June	<u>(1,372,944)</u>	<u>-</u>

(b) Accumulated losses

	2012 \$	2011 \$
Balance 1 July	(49,439,503)	(47,795,542)
Net profit/(loss) for the year	<u>21,263,423</u>	<u>(1,643,961)</u>
Balance 30 June	<u>(28,176,080)</u>	<u>(49,439,503)</u>

12 NON-CONTROLLING INTERESTS

	2012 \$	2011 \$
Interest in:		
Share capital	-	110,011
Retained earnings	<u>(121,417)</u>	<u>(413,843)</u>
	<u>(121,417)</u>	<u>(303,832)</u>

13 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 \$	2011 \$
Profit/(Loss) for the year	21,263,423	(1,643,961)
Gain on loss of control over subsidiaries	(24,754,062)	-
Impairment of goodwill	141,792	-
Impairment of available for sale financial assets	657,491	-
Share-based payment expense	-	48,500
Gain on disposal of plant and equipment	-	(3,778)
Proceeds from forfeiture of non-refundable deposit	-	(1,500,000)
Depreciation and amortisation	38,489	28,845
Loss on loss of significant influence over associate	-	405,534
Gain on incorporation of an associate	-	(1,103,934)
Share of loss of associate	173,076	30,297
Loss on liquidation of subsidiaries	-	5,812
Income tax expenses	418,154	-
Change in operating assets and liabilities		
Decrease/(Increase) in inventories	-	1,009,978
Decrease/(Increase) in receivables	52,085	(376,026)
(Decrease)/Increase in payables	(1,214,490)	188,895
Net exchange differences	172,509	154,912
Net cash (outflow) from operating activities	(3,051,533)	(2,754,926)

14 NTA BACKING

	2012 \$	2011 \$
Net tangible asset backing per ordinary security (per share)	0.094	0.028

15 EVENTS OCCURRING AFTER THE REPORT PERIOD

In July 2012, China Coal Geology Engineering Corporation ("CCGEC") increased its stake in China Coal Resources Pty Ltd ("CCR") by subscribing 800,000 new ordinary shares representing 20% of the enlarged issued capital of CCR for \$600,000 and, as a consequence, CCGEC is now holding 75% interest in CCR.

On 23 August 2012, the Company entered into a \$7 million loan facility agreement with Star Diamond Developments Limited repayable 90 days after the date of loan drawdown. Alternatively, the loan facility can be fully repaid by conversion of the loan into either one or a combination of the Company's shares or into new shares of the Company's subsidiary or investments held by such subsidiaries.

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.

16 EARNINGS PER SHARE

	2012 Cents	2011 Cents
Basic earning/(loss) per share	6.88	(0.53)
Diluted earning/(loss) per share	6.88	(0.53)

Reconciliations of earnings used in calculating earnings per share

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

	2012 \$	2011 \$
Earnings (i)	<u>21,263,423</u>	<u>(1,643,961)</u>
Weighted average number of ordinary shares	<u>308,848,130</u>	<u>308,696,375</u>

- (i) Earnings used in the calculation of basic and diluted earnings per share are net loss after tax attributable to the ordinary equity holders of the Company as per the income statement.
- (ii) At balance sheet date there were no potential shares and therefore no dilutive shares.

17 DIVIDEND

The Company intends to implement a dividend policy of distributing after tax profits as dividends when the Company achieves sustained profitability.

18 AUDIT OF ACCOUNTS

This report is based on accounts that are in the process of being audited.



Min Yang
Chairman
31 August 2012