ASF GROUP LIMITED
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6 February 2013

Mr Anthony Ingegneri
Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000 (By email)

Dear Anthony

**Re: Appendix 4C**

We refer to your letter of 31 January 2013 concerning the Company's Appendix 4C for the period ended 31 December 2012.

Our responses to the questions contained in your letter (and numbered accordingly) are set out below.

1. It is not reasonable to conclude from the information provided in the Appendix 4C that the Company may not have sufficient cash to fund its activities.

   The negative net operating cashflow for the December quarter at $1,000,995 was significantly above the average quarterly net cash outflow of approximately $700K as indicated in the cashflow schedule, below. This average figure is also considerably above our current non-discretionary operating costs for a quarter.

   The net operating cash outflow for September quarter was unusually low at $200K. This was because payment of certain expenses incurred prior to or during the September quarter such as consulting fees, audit fees were deferred to the December quarter. As a consequence, the December quarter recorded a relatively high net operating cash outflow compared with the preceding quarters. However, the average cash outflow for the September and December quarters was $600K which was still below the quarterly average referred to, above.

   The ending cash balance for the December quarter was comparatively low mainly because, during the six-month period ended 31 December 2012, the Company made significant investments in two ASX listed companies – Rey Resources Limited and ActivEx Limited. The investments were consistent with the Company's business model, which is to acquire or invest in assets for further development or resale.

Cashflow Schedule (March 2011 – December 2012) (Extracts only)

| | Mar-11 | Jun-11 | Sep-11 | Dec-11 | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Receipts from customers | 62,349 | 60,090 | 215,565 | 18,543 | 476,865 | 79,200 | 530,883 | 98,451 | 192,743 |
| Net operating cash flows | (505,375) | (766,564) | (1,525,178) | (746,751) | (580,369) | (575,389) | (201,907) | (1,000,995) | (737,816) |
| Net investing cash flows | 382,334 | 3,503,303 | 5,315,844 | 4,101,634 | (1,032,424) | (3,736,066) | (10,823,332) | 41,381 | (280,916) |
| Net financing cash flows | - | - | 26,605 | - | (402,600) | (1,181,336) | 6,838,190 | (61,254) | 1,043,921 |
| Cash at end of quarter | 3,138,914 | 5,852,096 | 9,669,367 | 11,901,140 | 9,914,271 | 6,302,558 | 2,115,509 | 1,077,095 | 6,246,369 |

There has been no change to the objectives or operations of the Company through these periods in the above schedule and in the most recent quarter.

As a diversified financial company, ASF from time to time raises equity capital and the Company is currently considering the private placement of shares to investors to raise new capital.

2. ASF's business model as a diversified financial company is expected to generate negative net operating cash flows into the future although the Company is expected to be cashflow positive in certain future periods when investments are realized and investment flows are taken into account. The Company's investing schedule is set in keeping with cash generated from the disposal of investments and the raising of new equity.

3. Refer to the response set out in paragraph 2, above. The Company has developed a track record of successful equity raisings.

4. We confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

5. The Company is in a sound financial condition with positive consolidated net assets of $29 million as disclosed in the Annual Report 2012.

Yours sincerely
For and on behalf of
**ASF Group Limited**

*[Sent electronically without signature]*

William Kuan
Company Secretary

ASX Compliance Pty Limited
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20 Bridge Street
Sydney NSW 2000
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NSW 1215

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31 January 2013

Mr William Kuan
Company Secretary
ASF Group Limited
Suite 2, 3B Macquarie Street
Sydney NSW 2000

Dear William,

**ASF Group Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2012, released to ASX Limited ("ASX") on 31 January 2013 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of $98,451.

2. Net negative operating cash flows for the quarter of $1,000,995.

3. Cash at end of quarter of $1,077,095.

In light of the information contained in the Appendix 4C please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

**Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email to **anthony.ingegneri@asx.com.au** or on **facsimile number (02) 9241 7620**. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than close of business **5 p.m. A.E.D.T. on Wednesday, 6 February 2013**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact.

Yours sincerely,

*[Sent electronically without signature]*

Anthony Ingegneri
**Adviser, Listings Compliance (Sydney)**