Interim Financial Report for the half year ended 31 December 2017

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This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Resource Generation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

RESOURCE GENERATION LIMITED

Directors' report

The Board of Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (Resgen or the Company) and the entities it controlled for the half year ended 31 December 2017 (HY18). In order to comply with the provision of the Corporations Act 2001, the Directors report as follows:

1. Directors

The following persons were Directors of Resource Generation Limited during or since the end of the half year:

Name	Position	Length of service	
Mr L Xate	Chairman and Non-executive Director	2.25 years	(As Chair effective 22 November 2017)
Mr R Croll	Independent Non-executive Director	2.25 years	
Mr M Dahiya	Non-executive Director	0.58 years	
Mr C Gilligan	Independent Non-executive Director	2.25 years	
Mr L Molotsane *	Independent Executive Director	2.25 years	
Dr K Sebati	Independent Non-executive Director	2.25 years	
Mr P Watson	Independent Non-executive Director	0.08 years	(Appointed 23 November 2017)
Mr D Gately	Chairman and Independent Non-executive Director	2.24 years	(Resigned 22 November 2017)

** Mr Molotsane was appointed Interim Managing Director and CEO effective 8 March 2018.*

Mr M Meintjes has been Company Secretary since 26 November 2015.

2. Principal activities

During the half year the principal continuing activities of the Group consisted of the financing and development of the Boikarabelo Coal Mine in the Waterberg region of South Africa.

3. Review of operations

During the HY18 the Group recorded a net loss of $1.2 million (HY17: $1.2 million loss). The HY18 net loss of $1.2 million includes administrative and corporate expenses of $1.3 million, employee expenses of $1.2 million and an unrealised foreign exchange gain of $1.5 million.

Management continued with its efforts to render the development of the Boikarabelo Coal Mine bankable. In particular, demonstrable progress has been made to finalise the material contracts including those relating to an economically viable logistics solution and the EPC contracts.

During the period, the primary source of Project Funding being pursued by the Company since 2016 was determined to be no longer viable because the financing parties required a greater degree of certainty around the terms of coal supply to Eskom before proceeding to secure credit approval. Management had in parallel been exploring another funding proposal to place before the Board. This proposal is not subject to a committed domestic coal supply with Eskom. By 31 December 2017, the lenders had completed their due diligence investigations and prepared their credit committee submissions.

The Company has received legal advice that the funding proposal currently being progressed will require approval of Shareholders under ASX Listing Rule requirements. An independent expert based in Australia has been identified and has been briefed on the funding proposal currently under negotiation and will be instructed to prepare a report for Shareholders. Any such report will contain a detailed synopsis of the proposed funding and financial implications. An extraordinary general meeting of Shareholders would then be called for the purpose of considering and approving the funding proposal.

The proposed facility under negotiation is intended to provide the total funds required to complete the construction of the mine to the point of commissioning, but does not include the costs of constructing the rail link. In parallel the Company is continuing to progress negotiations with respect to the funding of the rail link with a number of interested parties. The cost of the rail link is estimated to be approximately R650 million (approximately $68.4 million). Ramp-up costs for the mine are estimated to be approximately R300 million (approximately $31.5 million). Management believes these funds can be raised when required from commercial banks, as the Project will have been substantially de-risked at that point in time.

The Company, through its subsidiary, Ledjadja Coal (Pty) Ltd (LCL), executed an agreement with Noble Resources International Pte Ltd (Noble) for the supply of additional uncontracted coal to be produced from the mine. The grant to Noble of this first right of refusal to purchase any additional uncontracted coal to be produced from the mine arose during negotiations of an extension to the Facility Agreement. Performance of the Offtake Agreement is subject to receipt of relevant regulatory/shareholder approvals. LCL has agreed to offer to sell and deliver to Noble a committed quantity of 800,000 tonnes of coal per annum, plus up to 300,000 tonnes of coal per annum as advised by LCL to Noble on a quarterly basis for years 1 to 3; and from year 4 onwards, up to 200,000 tonnes of coal per annum as advised by LCL to Noble on a quarterly basis.

3. Review of operations (continued)

The Company executed a further extension of the Facility Agreement of 3 March 2014 under which Noble agreed to make available additional funds of up to US$3.8 million to LCL to fund the operations and development of the mine whilst project funding is secured. The total facility made available to the Company is now US$32.2 million. The additional funds are to be made available on the same terms as the existing facility and can be drawn in monthly tranches over the period to 31 March 2018. In addition, the Group agreed with Noble to extend the commencement of repayment of the amounts borrowed from September 2017 to April 2018.

4. Dividends

No dividends were paid or proposed to be paid to members during the financial half year (2016: nil).

5. Events occurring after the balance sheet date

There are no matters of significance up to the date of this report that have not been included in the interim financial report.

6. Auditor's independence declaration

The auditors' independence declaration is included on page 4 of the interim financial report.

7. Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the Directors' report and the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors, pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the Directors

L Xate
Chairman

Johannesburg
16 March 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

The Board of Directors
Resource Generation Limited
Level 1, 17 Station Road
Indooroopilly QLD 4068

16 March 2018

Dear Board Members

Resource Generation Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Resource Generation Limited.

As lead audit partner for the review of the financial statements of Resource Generation Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

RESOURCE GENERATION LIMITED

Condensed consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2017

	Notes	Half year ended 31-Dec-17 $'000	31-Dec-16 $'000
Revenue from continuing operations		179	315
Administrative, rent and corporate		(1,272)	(2,049)
Depreciation of property, plant and equipment		(187)	(183)
Employee benefits expense		(1,231)	(1,379)
Finance expenses		(3)	(3)
Share-based compensation expense	3	(130)	(138)
Unrealised foreign exchange movements	3	1,456	2,208
Loss before income tax		(1,188)	(1,229)
Income tax benefit		-	1
Loss for the half year		(1,188)	(1,228)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of foreign operations	7	5,222	15,504
Total comprehensive income for the half year		4,034	14,276
Loss is attributable to:			
Owners of Resource Generation Limited		(1,188)	(1,228)
Total comprehensive income for the half year is attributable to:			
Owners of Resource Generation Limited		4,034	14,276
Headline loss		(1,188)	(1,228)
Loss per share			
Loss per share for loss from continuing operations		Cents	Cents
Basic loss per share		(0.21)	(0.21)
Diluted loss per share		(0.21)	(0.21)
Headline loss per share		(0.21)	(0.21)

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

RESOURCE GENERATION LIMITED

Condensed consolidated statement of financial position
As at 31 December 2017

	Notes	31-Dec-17 $'000	30-Jun-17 $'000
Current assets			
Cash and cash equivalents		1,830	4,682
Trade and other receivables		192	170
Deposits and prepayments		284	180
		2,306	5,032
Non-current assets			
Property, plant and equipment		34,191	33,081
Mining tenements and mining development		165,658	153,677
Deposits		1,269	2,042
		201,118	188,800
TOTAL ASSETS		203,424	193,832
Current liabilities			
Trade and other payables		6,479	8,185
Provisions		455	300
Borrowings	4	14,619	12,665
		21,553	21,150
Non-current liabilities			
Provisions		2,261	2,175
Borrowings	4	39,028	34,115
Royalties payable		1,868	1,869
		43,157	38,159
TOTAL LIABILITIES		64,710	59,309
NET ASSETS		138,714	134,523
Equity			
Contributed equity	5	223,622	223,622
Reserves	7	(31,531)	(36,910)
Accumulated losses		(53,377)	(52,189)
TOTAL EQUITY		138,714	134,523

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

RESOURCE GENERATION LIMITED

Condensed consolidated statement of changes in equity
For the half year ended 31 December 2017

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to owners of Resource Generation Limited			
Balance at 1 July 2016		223,622	(50,955)	(50,215)	122,452
Loss for the period		-	-	(1,228)	(1,228)
Other comprehensive income for the period (foreign currency translation)		-	15,504	-	15,504
Total comprehensive (loss)/income for the period		-	15,504	(1,228)	14,276
Employee share plan - value of employee services		-	265	-	265
		-	265	-	265
Balance at 31 December 2016		223,622	(35,186)	(51,443)	136,993
Balance at 1 July 2017		223,622	(36,910)	(52,189)	134,523
Loss for the period		-	-	(1,188)	(1,188)
Other comprehensive income for the period (foreign currency translation)		-	5,222	-	5,222
Total comprehensive (loss)/income for the period		-	5,222	(1,188)	4,034
Employee share plan - value of employee services	7	-	130	-	130
Treasury shares to be issued - vesting 30 June 2018	7	-	27	-	27
		-	157	-	157
Balance at 31 December 2017		223,622	(31,531)	(53,377)	138,714

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

RESOURCE GENERATION LIMITED

Condensed consolidated statement of cash flows
For the half year ended 31 December 2017

	Half year ended	
	31-Dec-17	31-Dec-16
	$'000	$'000
Cash flows from operating activities		
Payments to suppliers and employees	(3,254)	(3,364)
Interest received	112	70
Interest/finance costs paid	(3)	(3)
Taxation refund	-	1
Net cash outflow from operating activities	(3,145)	(3,296)
Cash flows from investing activities		
Payments for property, plant and equipment	(1)	(118)
Payments for mining tenements and mining development	(3,377)	(3,116)
Net cash outflow from investing activities	(3,378)	(3,234)
Cash flows from financing activities		
Repayment of borrowings	(1,256)	(1,403)
Drawdown of borrowings	4,776	-
Net cash inflow/(outflow) from financing activities	3,520	(1,403)
Net decrease in cash and cash equivalents	(3,003)	(7,933)
Cash and cash equivalents at the beginning of the half year	4,682	11,955
Effects of exchange rate movements on cash and cash equivalents	151	495
Cash and cash equivalents at the end of the half year	1,830	4,517

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half year financial report

This general purpose financial report for the interim half year reporting period ended 31 December 2017 (HY18) has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Resource Generation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The interim financial report been prepared on the basis of historical cost, except for financial instruments which are measures at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Report) Instruments, dated 24 March 2016* , and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Disclosure surrounding adoption of new or revised Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

*AASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
*AASB 2016-2 Disclosure Initiative: Amendments to AASB 107
*AASB 2017-2 Further Annual Improvements 2014-2016 Cycle

The Company has reviewed the above Accounting Standards and determined that they have no material impact on the interim financial report for the half year ended 31 December 2017.

The following new accounting standards are not yet effective but may have an impact on the Group in the financial years commencing 1 July 2017 or later:

*AASB 9 Financial Instruments
*AASB 15 Revenue from Contracts with Customers
*AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
*AASB 2015-8 Amendments to Australian Accounting Standards - Effective date of AASB 15
*AASB 2016-3 Amendments to Australian Accounting Standards - Clarification to AASB 15
*AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
*AASB 16 Leases
*AASB Interpretation 22 Foreign Currency Transactions and Advanced Consideration
*AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4
*AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

The Company is in the process of determining the potential impact of adopting the above standards and they have not been applied in the preparation of the interim financial report for the half year ended 31 December 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report comprises the financial statements of Resource Generation Limited and its subsidiaries as at 31 December 2017 ("the Consolidated Entity").

Going concern

The interim financial report has been prepared on the going concern basis which presumes the realisation of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

As at 31 December 2017, the Group had net current liabilities of $19.2 million (30 June 2017: net current liabilities of $16.1 million), made a loss for the half year of $1.2 million (2017: $2.0 million loss for the year) and recorded a net cash outflow from operations of $3.1 million (2017: $4.1 million for the year). The Group had a cash balance at 31 December 2017 of $1.8 million (30 June 2017: $4.7 million).

In concluding that the going concern basis is appropriate, a cash flow forecast has been prepared for the fifteen months to 31 March 2019. The forecast includes the following key assumptions:

(a) the drawdown of the remaining US$3.3 million from the US$3.8 million extended Working Capital Facility agreed with Noble in November 2017, which is an extension of the existing fully drawn US$28.4 million Working Capital Facility;

(b) the deferral of the loan repayments on the Noble Working Capital Facility which are due to commence in April 2018;

(c) securing additional funds (the “bridging funding”) of approximately $2.8 million (US$2.2 million) before May 2018 to bridge the gap to accessing the first drawdown under a proposed project funding facility; and

(d) the receipt of project funding from a Financing Syndicate to complete the construction of the Boikarabelo Coal Mine (the “project funding”) on or around July 2018.

The Directors note the following in respect of the key assumptions:

(a) since 31 December 2017, the Group has drawn down US$1.75 million of funds under the extended Working Capital Facility agreement. Recent market announcements have been made by Noble in respect of a proposal to significantly restructure its debt. The proposal is subject to creditor, regulatory and shareholder approval. The Directors have been monitoring the announcements closely and have held direct discussions with Noble management. At the date of signing the interim financial report, the Directors remain confident that Noble will continue to honour the existing financing arrangements with the Group and will provide further support as outlined in (b), (c) and (d) below;

(b) the Group has held preliminary discussions with Noble in respect of the deferral of loan repayments that are due to commence in April 2018:

(c) the Group has held preliminary discussions with Noble in respect of a proposal to provide the bridging funding; and

(d) although the proposed lenders in the Financing Syndicate have completed their due diligence investigations and credit submissions, the Company is unable to forecast with certainty the outcome of the credit approval process and when signed terms sheets will be received. However, based on regular communication with the Financing Syndicate, it is expected that approval will be achieved in April 2018.

Based on the proposed time line, first drawdown of the project funding would then take place in July 2018 and this would permit construction of the mine to commence with scheduled completion in October 2020. First saleable coal production would then occur in the last quarter of 2020.

Notwithstanding this, should the Group not secure bridging funding and not receive the proceeds anticipated under the project funding referred to above, there are material uncertainties as to whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Income Tax

The Directors have not recognised any deferred tax assets in relation to carry forward unused tax losses. Given the history of operating losses, the Directors have determined that the most appropriate time to recognise deferred tax assets from carry forward unused tax losses is when the mine commences production.

2. SEGMENT INFORMATION

(a) Description of operating segments

Management has determined the segments based upon reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both a business and geographic perspective, with the Board being the chief operating decision maker.

The Group has coal interests in South Africa. The main priority is to develop its Coal Resources in the Waterberg region of South Africa. Management has determined that there is one operating segment, being mining tenements and mining development. Unallocated corporate administration reflects other corporate administration costs.

(b) Primary reporting format

Information regarding these segments is presented below. The accounting of the reportable segments is the same as the Group's accounting policies.

HY18	Mining tenements	Corporate	
	Africa	Australia	Total
	$'000	$'000	$'000
Total segment and consolidated revenue	111	68	179
Loss before income tax	(366)	(822)	(1,188)
Loss for the half year	(366)	(822)	(1,188)

HY17	Mining tenements	Corporate	
	Africa	Australia	Total
	$'000	$'000	$'000
Total segment and consolidated revenue	248	67	315
Loss before income tax	(589)	(640)	(1,229)
Income tax benefit	1	-	1
Loss for the half year	(588)	(640)	(1,228)

3. LOSS FOR THE HALF YEAR

	Half year ended	
	31-Dec-17	31-Dec-16
	$'000	$'000
Loss for the half year includes the following items that are unusual because of their nature, size or incidence:		
Expenses		
Share-based compensation expense	130	138
Unrealised foreign exchange movements	(1,456)	(2,208)

4. BORROWINGS

	31-Dec-17	30-Jun-17
	$'000	$'000
Current liabilities - Borrowings (unsecured)	14,619	12,665
	14,619	12,665
Non-current liabilities - Borrowings (unsecured)	39,028	34,115
	39,028	34,115

4. BORROWINGS (continued)

Noble loan

US$20 million was drawn down as an unsecured loan from Noble Resources International Pte Ltd (Noble) in March 2014. The Company signed a further extension of the Facility Agreement on 7 December 2017, under which Noble agreed to make available additional funds up to US$3.8 million to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL), to fund the operations and development of the Boikarabelo Coal Mine project being undertaken in South Africa, while project funding is secured. The total Facility made available to the Company is now $41.3 million (US$32.2 million). $37.0 million (US$28.9 million) has been drawn down as at 31 December 2017. $12.8 million of interest has been capitalised on the loan as at 31 December 2017. It is repayable in quarterly instalments of capital and interest over 78 months commencing April 2018 and has an annual interest of 10.75%.
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EHL loan

EHL Energy (Pty) Ltd completed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction is subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan amounted to $8.6 million (R82.5 million), is unsecured and repayable in 16 quarterly instalments from November 2015. There were 7 quarterly instalments remaining to be paid as at 31 December 2017, amounting to $3.8 million (R36.7 million).

LCL is the borrower under both of the above loan facilities. The Company has provided a guarantee to the respective lenders.

5. CONTRIBUTED EQUITY

	31-Dec-17 Shares	30-Jun-17 Shares	31-Dec-17 $'000	30-Jun-17 $'000
Opening balance	581,380,338	581,380,338	223,622	223,622
Issues of ordinary shares	-	-	-	-
Closing balance	581,380,338	581,380,338	223,622	223,622

6. DEVELOPMENT PARTNERS

	31-Dec-17 Interest %	30-Jun-17 Interest %
Waterberg One Coal (Pty) Ltd	74	74
Ledjadja Coal (Pty) Ltd	74	74

The minority interest in Ledjadja Coal (Pty) Ltd and Waterberg One Coal (Pty) Ltd is held by Fairy Wing Trading 136 (Pty) Ltd (Fairy Wing), the Group's black economic empowerment (BEE) partner. Pursuant to the terms of a loan from the Group to facilitate the acquisition of the shares, Fairy Wing only nominally holds the minority interest and is not currently entitled to a share in the residual interest of the subsidiaries. For this reason, a non-controlling interest is not presented in the interim financial report.

7. RESERVES

	31-Dec-17 $'000	30-Jun-17 $'000
Reserves		
Other contributed equity	1,085	1,085
Share-based payment reserve	1,040	910
Treasury shares	(2,097)	(2,124)
Foreign currency translation reserve	(31,559)	(36,781)
	(31,531)	(36,910)

Movements in reserves

Share-based payment reserve		
Opening balance	910	706
Employee share plan expense	130	204
Closing balance	1,040	910

7. RESERVES (continued)

	31-Dec-17	30-Jun-17
	$'000	$'000
Treasury shares		
Opening balance	(2,124)	(2,124)
Treasury shares to be issued - vesting 30 June 2018	27	-
Closing balance	(2,097)	(2,124)
Foreign currency translation reserve		
Opening balance	(36,781)	(50,429)
Movement	5,222	13,648
Closing balance	(31,559)	(36,781)

Foreign currency translation reserve movement for the current half year relates to a 4% appreciation of the Rand against the Australian Dollar during the half year ended 31 December 2017 (30 June 2017: 9% appreciation).

8. COMMITMENTS

Capital commitments

The Group has $0.1 million (30 June 2017: $0.1 million) in commitments in respect of the development of the Boikarabelo Coal Mine.

There are potential property acquisitions of $11.9 million (30 June 2017: $14.7 million) contingent to events subsequent to the commencement of mine production.

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no matters of significance up to the date of this report that have arisen since 31 December 2017 that has significantly affected, or may significantly affect, the Group's operations in future years, the results of those operations or the state of affairs in future years.

10. CONTINGENT LIABILITIES

Environmental rehabilitation

Legislation stipulates that all mining operations within South Africa are required to make provision for environmental rehabilitation during the life of the mine and at closure. In line with this requirement, the Company entered into policies with a reputable insurance broker to set aside funds for aforementioned purposes. On the back of these policies the insurance broker provides the required mining rehabilitation guarantees which are accepted by the Department of Mineral Resources. The Company makes annual premium payments towards structured products that will allow the matching of the environmental rehabilitation liability against Company assets over a period of time.

	31-Dec-17	30-Jun-17
	$'000	$'000
Guarantees for rehabilitation	2,331	2,175
Less: Funds available on Guardrisk Policy	(1,138)	(883)
Contingent liability	1,193	1,292

11. EXECUTIVE KMP REMUNERATION

Remuneration arrangements of key management personnel are disclosed in the 2017 annual financial report.

Directors' declaration

In the Directors' opinion:

(a) there are reasonable grounds to believe that Resource Generation Limited will be able to pay its debts as and when they become due and payable; and

(b) the financial statements and notes set out on pages 5 to 13 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 31 December 2017 and of the performance of the consolidated entity for the half year ended on that date.

This declaration is made in accordance with a resolution of the Directors, pursuant to Section 303(5) of the Corporations Act 2001.

L Xate
Chairman

Johannesburg
16 March 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

Independent Auditor's Review Report to the members of Resource Generation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Resource Generation Limited, which comprises the condensed statement of financial position as at 31 December 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Resource Generation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Resource Generation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resource Generation Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the half-year financial report, which indicates that the Group incurred a net loss of $1.2 million (30 June 2017: $2.0 million) and used net cash in operating activities of $3.1 million (30 June 2017: $4.1 million) during the half-year ended 31 December 2017. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 16 March 2018

RESOURCE GENERATION LIMITED

Supplementary Information - presentation of financial information in South African Rand

The presentation currency used in the preparation of the financial statements is the Australian dollar (A$). The Group has translated the financial statements to the South African Rand (ZAR) because the Boikarabelo Coal Mine, which represents the Group's most significant activity, is located in this region. This supplementary information has restated the financial statements in Rand. Assets and liabilities were translated to Rand using the relevant closing rate of exchange and income and expense items were translated using the relevant cumulative average rate of exchange. The applicable rates used in the restatement of information are as follows:

	Dec-17	Jun-17	Dec-16
Average rate of exchange $A/Rand	10.4310	10.2461	10.5407
Closing rate of exchange $A/Rand	9.6430	10.0255	9.8603

Consolidated statements of comprehensive income - ZAR Convenience Translation (Supplementary Information)
For the half year ended 31 December 2017

	Half year ended	
	31-Dec-17	31-Dec-16
	R'000	R'000
Revenue from continuing operations	1,867	3,320
Administration, rent and corporate	(13,269)	(21,598)
Depreciation of property, plant and equipment	(1,951)	(1,929)
Employee benefits expense	(12,841)	(14,536)
Finance expenses	(31)	(32)
Share-based compensation expense	(1,356)	(1,455)
Unrealised foreign exchange movements	15,188	23,274
Loss before income tax	(12,393)	(12,956)
Income tax benefit	-	11
Loss for the half year	(12,393)	(12,945)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations	54,471	163,423
Total comprehensive income for the half year	42,078	150,478
Loss is attributable to:		
Owners of Resource Generation Limited	(12,393)	(12,945)
Total comprehensive income for the half year is attributable to:		
Owners of Resource Generation Limited	42,078	150,478
Loss per share	Rand	Rand
Loss per share for loss from continuing operations		
Basic loss per share	(2.1)	(2.2)
Diluted loss per share	(2.1)	(2.2)
Headline loss per share	(2.1)	(2.2)

RESOURCE GENERATION LIMITED

Consolidated statements of financial position - ZAR Convenience Translation (Supplementary Information)
As at 31 December 2017

	31-Dec-17 R'000	30-Jun-17 R'000
Current assets		
Cash and cash equivalents	17,647	46,935
Trade and other receivables	1,851	1,704
Deposits and prepayments	2,739	1,805
	22,237	50,444
Non-current assets		
Property, plant and equipment	329,704	331,653
Mining tenements and mining development	1,597,440	1,540,685
Deposits	12,237	20,472
	1,939,381	1,892,810
TOTAL ASSETS	1,961,618	1,943,254
Current liabilities		
Trade and other payables	62,478	82,054
Provisions	4,388	3,008
Borrowings	140,971	126,973
	207,837	212,035
Non-current liabilities		
Provisions	21,803	21,805
Borrowings	376,347	342,019
Royalties payable	18,013	18,738
	416,163	382,562
TOTAL LIABILITIES	624,000	594,597
NET ASSETS	1,337,618	1,348,657
Equity		
Contributed equity	2,156,387	2,229,377
Reserves	(304,054)	(357,501)
Accumulated losses	(514,714)	(523,219)
TOTAL EQUITY	1,337,618	1,348,657

RESOURCE GENERATION LIMITED

Consolidated statement of cash flows - ZAR Convenience Translation (Supplementary Information)
For the half year ended 31 December 2017

	Half year ended	
	31-Dec-17	31-Dec-16
	R'000	R'000
Cash flows from operating activities		
Payments to suppliers and employees	(33,942)	(35,459)
Interest received	1,168	738
Interest paid	(31)	(32)
Taxation refund	-	11
Net cash outflow from operating activities	(32,805)	(34,742)
Cash flows from investing activities		
Payments for property, plant and equipment	(11)	(1,244)
Payments for mining tenements and mining development	(35,225)	(32,845)
Net cash outflow from investing activities	(35,236)	(34,089)
Cash flows from financing activities		
Repayment of borrowings	(13,101)	(14,789)
Drawdown of borrowings	49,818	-
Net cash inflow/(outflow) from financing activities	36,717	(14,789)
Net decrease in cash and cash equivalents	(31,324)	(83,620)
Cash and cash equivalents at the beginning of the half year	46,935	267,609
Effects of exchange rate movements on cash and cash equivalents	2,036	(139,450)
Cash and cash equivalents at the end of the half year	17,647	44,539