



30th August 2017

ASX Announcement

Consolidated Financial Statements – 30 June 2017

The Company is pleased to release the Consolidated Financial Statements for Resource Generation Limited and its subsidiaries for the year ended 30 June 2017.

Resgen draws shareholders attention to the disclosure in Note 26 of the Consolidated Financial Statements where the Group has today agreed with Noble Resources International Pte Ltd to extend the commencement of repayment of the amounts borrowed under the Facility Agreement dated 3 March 2014 from September 2017 to April 2018.

Denis Gately

Chairman

For and on behalf of the Board

About Resgen:

Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa's Waterberg region. The Waterberg accounts for around 40% of the country's currently known coal resources. The Coal Resources and Reserves for the Boikarabelo Coal Mine, held through the operating subsidiary Ledjadja Coal, were recently updated based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement :23 January 2017- In accordance with Listing Rule 5.23.2 the Company confirms that it is not aware of any new information that would impact on the Reported Coal Resources and Coal Reserves). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment subsidiary (BEE) operating under South Africa's Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice

ResGen's primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

For further information please contact:

Mike Meintjes, Company Secretary on mmeintjes@resgen.com.au or +61 413 706 143

Media enquiries:

Australia: Martin Debelle on + 61 282 340 102

South Africa: Marion Brower/ Charmane Russell on +27 11 880 3924

RESOURCE GENERATION LIMITED

ABN 91 059 950 337

30 June 2017

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The financial report covers Resource Generation Limited, comprising the consolidated entity and its subsidiaries. The financial report is presented in Australian Dollars.

Resource Generation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are as follows:

Registered Office: Level 1
17 Station Road
Indooroopilly
QLD 4068
Australia

Principal place of business: Unit 2, Carrera House
15 Sovereign Drive
R21 Office Park
Irene 0157
South Africa

The financial report was authorised for issue by the Directors on 30 August 2017.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at a minimum cost. All market releases, quarterly reports, financial reports and other information is available at our Investors and Media page on our website: www.resgen.com.au

Resource Generation Limited

Directors' report

30 June 2017

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2017 (FY17).

1. Directors

The following persons were Directors of the Company during FY17 and up to the date of this report, unless otherwise stated:

Name	Position	Committee positions currently held	Period of service
Mr D Gately	Chairman and Independent Non-executive Director	Audit, Remuneration and Nomination	Full year
Mr L Xate	Deputy Chairman and Non-executive Director	Nomination, Remuneration and Social, Ethics and Transformation	Full year
Mr R Croll	Independent Non-executive Director	Nomination and Risk Management	Full year
Mr M Dahiya	Non-executive Director	Remuneration	Appointed 17 May 2017
Mr C Gilligan	Independent Non-executive Director	Audit and Risk Management	Full year
Mr L Molotsane	Independent Non-executive Director	Audit, Risk Management and Social, Ethics and Transformation	Full year
Dr K Sebati	Independent Non-executive Director	Audit, Nomination and Social, Ethics and Transformation	Full year

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

(i) Information on Directors

Denis Gately BA, LLB (Syd), FAICD

Independent Chairman

Experience and expertise

Denis is a senior energy and resources lawyer who was a partner in Minter Ellison for 23 years until his retirement in 2010. He has extensive experience in the energy and resources industry sectors both in Australia and overseas. Since his retirement as a partner, he has gained considerable experience as a non-executive director of a number of listed and unlisted Australian companies, including those with business interests offshore. These include Gloucester Coal Ltd, Alligator Energy Ltd (chair), Xanadu Mines Ltd (chair) and Murphy Pipe and Civil (chair).

Other current listed directorships or former listed directorships in the last three years

None.

Interests in shares and performance share rights

400,000 ordinary shares in Resource Generation Limited

Nil performance share rights

Special responsibilities

Member of the Audit Committee

Member of the Remuneration Committee

Chairman of the Nomination Committee

Lulamile Xate B.Compt; Post Grad. Diploma Energy Studies

Deputy Chairman

Experience and expertise

Lulamile has a wide range of business experience. Having completed articles at PricewaterhouseCoopers he has developed a number of successful businesses in the fishing, gas and forestry industries and is a director and chairman of a number of unlisted companies. Lulamile is a founding member and director of Altius Investment Holdings (Pty) Limited (Altius). Altius is rated BBBEE level 1, being the highest rating under a statutory programme to integrate black South Africans into the economy.

Lulamile has degrees and qualifications from UNISA and University of Murdoch, Perth in Australia, where he studied energy management and renewable energy systems at post graduate level.

Interests in shares and performance share rights

Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current listed directorships or former listed directorships in the last three years

None.

Resource Generation Limited

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Special responsibilities

Chairman of the Audit Committee (until 26 July 2017)

Chairman of the Remuneration Committee

Member of the Nomination Committee

Member of the Social, Ethics and Transformation Committee

Rob Croll BSc, Mining Engineering, MBA

Independent Non-executive Director

Experience and expertise

Rob is a mining engineer with over 40 years' experience in the mining industry. After serving in senior management positions with De Beers Consolidated Mines Ltd and the Anglo American Corporation of SA Ltd, Rob played a major role in managing the due diligence process for acquisitions for AngloGold Ltd. Thereafter Rob worked as a principal consultant with The MSA Group and now acts as an independent consultant.

Interests in shares and performance share rights

Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current listed directorships or former listed directorships in the last three years

None.

Special responsibilities

Member of the Risk Management Committee

Member of the Nomination Committee

Manish Dahiya B.A. Economics; MBA, INSEAD, France

Non-executive Director

Experience and expertise

Manish is the Global Head of Energy Coal and LNG at Noble Group. Noble manages a portfolio of global supply chains for a range of industrial and energy products across marketing, processing, finance and transport of key commodities, connecting low-cost producing regions with high-demand growth markets. Manish has been with Noble since 2009 and prior to joining Noble Group, Manish worked with BHP Billiton for five years in commercial roles based in Singapore.

Interests in shares and performance share rights

Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current listed directorships or former listed directorships in the last three years

Commissioner of PT Atlas Resources Tbk (listed in Indonesia)

Special responsibilities

Member of the Remuneration Committee (appointed 26 July 2017)

Colin Gilligan BSc Eng (Hons)

Independent Non-executive Director

Experience and expertise

Colin is a mining engineer with extensive experience of contract mining and project construction. Colin has 30 years' experience as general manager and COO of coal mining companies and more recently as COO of Mitsui Coal. As COO of Coalspur Mines, Colin was a key participant in raising a US\$350 million debt facility.

Interests in shares and performance share rights

Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current listed directorships or former listed directorships in the last three years

None.

Special responsibilities

Chairman of the Risk Management Committee

Member of the Audit Committee (appointed 26 July 2017)

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Leapeetswe (Papi) Molotsane B.Eng Tech and BSc (Univ of Toledo, USA), MSc (Hood College, USA) and SEP (Stanford Univ, USA)

Independent Non-executive Director

Experience and expertise

Papi has a distinguished business career, having served on the board and as Chief Executive Officer of Telkom, Chief Executive of Africa Commodities Group, Group Executive of Transnet and Chief Executive Officer of Fedics. Papi is currently a director of his family investment holding company.

Interests in shares and performance share rights

Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current listed directorships or former listed directorships in the last three years

None.

Special responsibilities

Member of the Audit Committee (appointed 26 July 2017)

Member of the Risk Management Committee

Chairman of the Social, Ethics and Transformation Committee

Dr Konji Sebati BSc, MBChB.

Independent Non-executive Director

Experience and expertise

Konji is a medical practitioner and the CEO of IPASA, the Innovative Pharmaceutical Association of South Africa. After practising in the public health sector for several years where she specialized in Primary Health Care and Child Health, she joined the private sector and served in senior positions in South Africa and USA with Roche and Pfizer. Konji was appointed South African Ambassador to Switzerland in 2004 and Ambassador to France in 2008. In 2010 she joined WIPO, the World Intellectual Property Organisation in Geneva, Switzerland.

Interests in shares and performance share rights

Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current listed directorships or former listed directorships in the last three years

None.

Special responsibilities

Chairperson of the Audit Committee (since 26 July 2017)

Member of the Nomination Committee (appointed 26 July 2017)

Member of the Social, Ethics and Transformation Committee

(ii) Meetings of Directors

The number of Directors' and Committee meetings held during FY17 and the number of meetings attended by each Director was:

		D Gately	L Xate	R Croll	M Dahiya	C Gilligan	L Molotsane	K Sebati
Board	Held	6	6	6	0 ¹	6	6	6
	Attended	6	6	6	0 ¹	6	6	6
Audit	Held	3	3					3
	Attended	3	3					3
Nomination	Held	1	1	1		1		
	Attended	1	1	1		1		
Remuneration	Held	1	1					
	Attended	1	1					
Risk Management	Held			0		0	0	
	Attended			0		0	0	
Social, Ethics and Transformation	Held		1				1	1
	Attended		0				1	1

1. No meetings were held between the date of appointment and year-end

2. Principal activities

During FY17 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. Operating and financial review

Corporate

Demonstrable progress had been made during the financial year on securing project funding. In what is a complex bank project finance process, multiple contracting agreements were negotiated in parallel with finalisation of the independent technical reports. All major contracts (with one exception) are now substantially agreed and in a near executable format following an all-party meeting of Debt Club lenders, including senior representatives and their advisers, that was held in Johannesburg on 14 June 2017.

The one exception was a memorandum of understanding with Eskom as to the terms of a domestic coal supply agreement. The status of this is further outlined below under matters subsequent to the end of the financial year.

The Group signed an extension of the Facility Agreement of 3 March 2014 (ASX Announcement: 14 March 2017), under which Noble Resources International Pte Ltd (Noble) agreed to make available further funds of up to US\$8.4m to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL), to fund the operations and development of the mine whilst project funding is secured. Those additional funds are to be available in three tranches over the period to 30 September 2017. Key terms associated with the extension of the Facility include:

- The additional funds together with the existing Facility of US\$20m are unsecured and subject to a parent company guarantee
- Interest accrues at 10.75% pa and can be capitalised on a six-monthly basis unless LCL elects otherwise to pay such interest
- The right for Noble to appoint a nominee to the Board of the Company and approve one of the Company's nominees to the Board of LCL, subject to regulatory and governance requirements; and
- The Facility is repayable in instalments commencing from April 2018 with a termination date of 10 March 2024. The additional funds made available under the extension of the Facility are repayable from the proceeds of the first drawdown of funding secured for the Project.

As part of negotiating the extension to the Facility, the Group also agreed to restate the existing domestic offtake and coal marketing agreements it has with Noble and its related bodies corporate.

In parallel to advancing the development of the mine, the Company has continued to plan to also operate as an Independent Power Producer, providing another option for the domestic sale of coal. J Maynard and WaterBorne Capital were appointed as external consultants to assist with the selection and appointment of the main EPC contractor and preparation of a joint development agreement. At the same time, the Company is working to be ready to submit a proposal when the Department of Energy opens the next submission window. This is expected to be towards the end of 2017.

Review of Operations

Work continued at Boikarabelo Coal Mine during the period in order to ensure project readiness for the mobilisation of the EPC contractors. In parallel, significant progress was made towards completion of the material contracts with *inter alia* Transnet Freight Rail (logistics), Sedgman (CHPP and O&M contracts) and Stefanutti Stocks Mining Services (mining contract). All of these contracts are conditions precedent to financial close of funding with the financing syndicate.

The Coal Resources and Coal Reserves estimates for Boikarabelo Coal Mine were updated at 31 December 2016 in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. This update of the Coal Resources and Coal Reserves estimates relate specifically to the Ledjadja #1 and Ledjadja #3 project areas where an optimised mine design has now been completed. Resgen has previously secured export offtake contracts and has developed a dual export/domestic business model intending to service both export customers and domestic power stations. This model has resulted in a meaningful increase in the Net Present Value and Internal Rate of Return of the project.

Financial Headlines

- Loss before income tax decreased by 74% to \$2.0m (2016: \$7.7m loss)
- The most significant items contributing to the FY17 loss before income tax were:
 - (i) Costs of \$2.3m associated with due diligence and other project finance related activities; and
 - (ii) Unrealised foreign exchange gain of \$4.3m being an unrealised gain from translation of the amount outstanding under the Noble loan facility
- Net debt of \$42.1m at 30 June 2017 (2016: \$27.7m)
- Conservatively geared at 31.3% at 30 June 2017 (2016: 22.6%)
- Cash expenditure of \$4.1m on operating activities
- Cash expenditure of \$6.9m on mine infrastructure
- Agreed deferral of Noble loan repayments from February 2017 to April 2018 to conserve existing cash balances
- Shareholders' equity has seen an increase of \$12.0m in the period due to a combination of the reported loss and the exchange differences on translation of South African operations amounting to \$13.6m

Resource Generation Limited

Directors' report

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Financial and non-financial performance	FY17	FY16	% change
Loss before income tax (\$million)	(2.0)	(7.7)	-74%
Basis loss per share (cents)	(0.3)	(1.3)	-77%
Total debt (\$million)	46.8	39.6	18%
Net debt (\$million)	42.1	27.7	52%
Net assets (\$million)	134.5	122.5	10%
Gearing ratio ¹	31.3%	22.6%	38%
Number of employees ²	41	35	17%
Gender diversity ³	32%	29%	10%
Transformation ⁴	59%	51%	16%

1. Net debt/Equity

2. Employees includes Directors

3. Gender diversity equates to number of female employees to total employees

4. Transformation equates to number of HDSA employees to total employees

The increase in both total and net debt is a result of the additional borrowings from the Noble working capital facility which have been required to fund operations whilst project funding is being secured. This also contributes to the increase in the gearing ratio.

The financial position of the Group is dependent on efforts focused to secure funding to support the construction of the Boikarabelo Coal Mine. The Boikarabelo Coal Mine in South Africa is the only segment of the Group. Further information on the operations and financial position of the Group is set out in this financial report.

Dividends

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

Results of operations

The loss for the year for the Group was \$2.0 million (2016: \$7.7million loss).

Matters subsequent to the end of financial year

Subsequent to the end of the financial year, the Board believed it would be reasonable to ask the Debt Club members to undertake their credit approval process to a conclusion notwithstanding the lack of an Eskom memorandum of understanding, but on the basis that any draw down of senior debt be subject to a concluded domestic coal supply agreement being in place.

However, on 23 August 2017 some Debt Club members formally declined to proceed on that basis. Instead they required a greater degree of certainty around the terms of supply to Eskom before proceeding to secure credit approval for funding of the project. In the circumstances, the Board now believes that seeking project finance from the Debt Club is no longer viable.

Mindful of the present difficulties in securing terms of supply with Eskom, management has in parallel been exploring an alternative funding proposal to place before the Board (the Alternative Funding). This proposal is not subject to a committed domestic coal supply agreement. The credit approval processes of these lenders, who are familiar with the project, have commenced and are expected to be concluded by October 2017. Provided those processes are successful, a signed term sheet could be expected before the end of October 2017. At that time the Board will consider a recommendation from management and make a decision on the Alternative Funding proposal.

Subsequent to the end of the financial year, Noble agreed to defer the date on which loan repayments were to commence from September 2017 to April 2018.

There are no other events that have occurred subsequent to the end of the financial year that have significantly affected or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the Group and the expected results of operations are expanded upon elsewhere in this report. After finalisation of project funding, the focus of the next two years will be the construction of the Boikarabelo Coal Mine with production targeted for the 2020 financial year.

Environmental regulation

The Directors and management are committed to continual improvement in the environmental management of the Group's operations and to develop effective community and stakeholder relationships. The Group is aware of the environmental regulations applying to its operations and seeks to comply with them in all relevant jurisdictions. There have been no environmental incidents throughout the year.

4. Remuneration report

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group for FY17. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

(i) Remuneration governance

The Board has established a Remuneration Committee consisting solely of Non-executive Directors (NEDs) to assist the Board in achieving the following objectives:

- a) ensuring that appropriate procedures exist to assess the remuneration levels of the Chairman, Non-executive Directors, Executive Directors, direct reports to the Chief Executive Officer, Board Committees and the Board as a whole;
- b) ensuring that the Company adopts, monitors and applies appropriate remuneration policies and procedures;
- c) ensuring reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal requirements; and
- d) overseeing and recommending processes for periodically evaluating the performance of Executive KMP.

The Remuneration Committee during FY17 comprised of Denis Gately (Committee Chairman) and Lulamile Xate. Subsequent to year-end, the Remuneration Committee was restructured with the Chair passing to Lulamile Xate and the appointment of Manish Dahiya in order to address best practise governance arrangements.

The Charter for the Committee is available on the Company's website, together with the recently codified remuneration policy.

The Board, in consultation with the Remuneration Committee, reviews the Company's Remuneration Policy annually to ensure that the executive remuneration framework remains appropriate and aligned to the business needs. The Company's remuneration policies covering executives are based on the following core principles:

- a) to ensure that remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
- b) to attract and retain skilled executives; and
- c) to structure short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns.

(ii) Remuneration policy and components

Executive KMP remuneration

Remuneration component	Policy principles and application	Performance targets and pay-out details
Fixed remuneration	Fixed remuneration received by the CEO, CFO and COO is subject to approval by the Remuneration Committee. Fixed remuneration is comprised of base salary plus other monetary benefits. In line with Group policy and Executives' service agreements, remuneration levels are reviewed annually based on market benchmarking and individual performance.	A 7% pay increase was awarded to employees effective 1 July 2016 in line with SA CPI. CEO remuneration was not increased and CFO remuneration was increased to reflect promotion and increased responsibility. The COO was appointed on 1 July 2016.
Short-term incentives (STIs)	STIs are offered on a competitive basis considering a total remuneration package benchmarked against relevant industry groups and having regard for the specific circumstances of the Group. The components of each Executive's total remuneration package is weighted in accordance with their role and responsibilities and are reflected in their employment contracts. The Remuneration Committee recommends to the Board at the beginning of the year appropriate targets and key performance indicators (KPIs) to be linked to the STI plan. The level of payout if targets are met is also considered by the committee. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STIs. These performance targets are based on both financial and non-financial targets which will be monitored during the financial year. During project funding and construction, there will be a higher proportion of non-financial metrics. Further details are noted under (vi) below.	Only the CEO and COO had agreed STI performance metrics for FY17 and no payouts were awarded. The Remuneration Committee has agreed a process to have STI KPIs in place for all management personnel in FY18. The contractual arrangements for the CEO STI performance bonus currently run on a calendar year basis with the next assessment due on 31 December 2017. The Remuneration Committee has however agreed with the CEO that it would be appropriate to align the STI performance period with the financial year. Consequently the CEO performance assessment period has been extended by six months to 30 June 2018. In conjunction with this extension, the Remuneration Committee has also agreed with the CEO that the current KPIs and associated weightings (see (vi) below) should be reviewed and aligned with the business objectives over the coming financial year with consideration of both financial and non-financial indicators.

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Long-term incentives (LTIs)	The long-term incentive plan (LTIP), known as the Employee Share Plan, was approved by shareholders at the October 2014 Annual General Meeting. Performance share rights are granted under the LTIP to employees eligible to participate in the plan i.e. those at an executive level. The LTIP to 26 November 2015 was focused on achieving key Group milestones including funding, mine development and initial coal production of the Boikarabelo Coal Mine as per section (v) and (vii) below. Performance share rights are granted under the LTIP for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities.	Each year the Board, on the recommendation of the Remuneration Committee, considers whether senior executives should be awarded performance share rights under the LTIP and considers the appropriate targets and key performance indicators to determine what hurdles are appropriate for vesting to occur. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding. The Remuneration Committee is developing a remuneration framework for FY18 that assumes funding is obtained and mine development commences. Short and long-term incentives aligned with this strategy and shareholder interests will form part of this framework.
Sign-on incentives	To support Resgen's ability to attract suitable KMP, it is sometimes necessary to offer sign-on payments. Such payments are consistent with market practise in the industry and facilitate movement of executives to Resgen by compensating them for a portion of entitlements that they would otherwise lose on leaving their previous employer.	The COO was awarded a sign-on incentive amounting to \$724,603 to compensate him for entitlements that were foregone when leaving his previous employment. The award included both cash and shares and was structured to be earned over a two year period.

Non-executive Director remuneration

Remuneration component	Policy principles and application	Performance targets and pay-out details
Fixed remuneration	The Board policy is to remunerate NEDs at market rates for time, commitment and responsibilities. The Board determines payments to NEDs and annually reviews their remuneration taking into account comparable roles, comparative market data and if required the advice of independent remuneration consultants. Directors are expected to attend all board meetings and roles on sub-committees are evenly shared. Consequently no separate meeting fee is paid.	The Board determined that there would be no increase in fees for FY17 and the Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.
Short-term incentives (STIs)	No STIs are awarded to Directors.	No STIs are awarded to Directors.
Long-term incentives (LTIs)	No LTIs are awarded to Directors.	Directors do not receive any performance share rights.
Retirement plans	There are no retirement allowances or other benefits paid to Directors although Australian-based Directors are required to pay a statutory superannuation guarantee amounting to 9.5%.	Directors do not receive lump-sum retirement payments at end of tenure.

(iii) Members of Key Management Personnel (KMP)

The table below sets out details of those persons who were KMP of the Group for FY17.

Name	Position	Period as KMP
<i>Non-executive Members of KMP (Non-executive Directors (NEDs))</i>		
D Gately	Chairman and Independent Non-executive Director	Full year
L Xate	Deputy Chairman and Non-executive Director	Full year
R Croll	Independent Non-executive Director	Full year
M Dahiya	Non-executive Director	From 17 May 2017
C Gilligan	Independent Non-executive Director	Full year
L Molotsane	Independent Non-executive Director	Full year
K Sebati	Independent Non-executive Director	Full year
<i>Executive Members of KMP (Executive KMP)</i>		
R Lowe	Chief Executive Officer (CEO)	Full year
B O'Regan	Chief Financial Officer (CFO)	Full year
Z van der Bank	Chief Operations Officer (COO)	Full year
H van den Aardweg	General Manager Operations (GMO)	Full year
S Selibe	Head of Marketing and Logistics (HML)	From 1 March 2017

Resource Generation Limited

Directors' report

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(iv) Application of remuneration policy

Executive KMP remuneration

Due to the delays in finalising the finance for the development of the Boikarabelo Coal Mine, the typical mix of remuneration comprising fixed and at-risk components has not yet been fully implemented. The objectives of having fixed, short and long-term incentives are however set out in the Remuneration Policy. The short-term objective set at the beginning of FY16 was the achievement of financial close for funding of the Boikarabelo Coal Mine whilst meeting all compliance obligations. Accordingly, the Long-Term Incentive Plan was put on hold by the Remuneration Committee pending achievement of this objective. The Remuneration Committee is developing a remuneration framework for FY18 that assumes funding is obtained and mine development commences. Short and long-term incentives aligned with this strategy and shareholder interests will form part of this framework.

The Group policy has the objective of structuring executive remuneration that is market competitive in order to attract and retain high calibre executives and which is complementary to the reward strategy of the organisation. The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. The remuneration of executives through to 2020 will be aligned with key milestones in the development of the Boikarabelo Coal Mine.

The following table illustrates the remuneration mix for Executive KMP as at 30 June 2017 (assuming Target performance for at-risk components).

	2017				2016			
	Fixed	STI - At Risk	LTI - At Risk ¹	Total	Fixed	STI - At Risk	LTI - At Risk ¹	Total
R Lowe	67%	33%	0%	100%	67%	33%	0%	100%
B O'Regan	81%	0%	19%	100%	100%	0%	0%	100%
Z van der Bank	71%	29%	0%	100%				
H van den Aardweg	77%	0%	23%	100%	100%	0%	0%	100%
S Selibe	100%	0%	0%	100%				

1. The LTIP has been put on hold by the Remuneration Committee pending funding of the Boikarabelo Coal Mine

The ratio of average KMP remuneration to the average remuneration of other employees is 5 (2016: 5).

The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY17. It includes:

- fixed remuneration earned in FY17;
- STI earned in respect of FY17;
- LTI earned in respect of FY17;
- any non-monetary benefits provided in FY17; and
- sign-on incentives awarded in FY17.

	Fixed	STI ²	LTI ³	Other ⁴	Sign-on incentive ⁵	Total
	\$	\$	\$	\$	\$	\$
Executive KMP						
R Lowe	800,000	-	-	37,151	-	837,151
B O'Regan	325,231	-	-	40,777	-	366,008
Z van der Bank	385,990	-	-	38,813	556,556	981,359
H van den Aardweg	393,620	-	-	37,963	-	431,583
S Selibe ¹	59,058	-	-	-	-	59,058

1. Appointed as KMP 1 March 2017 (4 months)

2. The contractual arrangements for the CEO STI performance bonus currently run on a calendar year basis with the next assessment due on 31 December 2017. The Remuneration Committee has however agreed with the CEO that it would be appropriate to align the STI performance period with the financial year. Consequently the CEO performance assessment period has been extended by six months to 30 June 2018. The COO STI performance bonus assessment will similarly be extended to 30 June 2018.

3. No LTI Awards reached the end of their performance period in FY17

4. Includes motor vehicle benefits, medical aid and housing allowance (where applicable)

5. Mr van der Bank received both cash and shares as a sign-on incentive

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	FY16	FY17	% change	Comments
	\$	\$		
R Lowe				
CTC Remuneration ¹	476,190	837,151	76%	Commenced employment on 26 November 2015 (7 months for FY16). No increase awarded since commencement.
STI	-	-	0%	The contractual arrangements for the CEO STI performance bonus currently run on a calendar year basis with the next assessment due on 31 December 2017. The Remuneration Committee has however agreed with the CEO that it would be appropriate to align the STI performance period with the financial year. Consequently the CEO performance assessment period has been extended by six months to 30 June 2018
LTI	-	-	0%	Employee share plan currently on hold pending funding
Total Remuneration	476,190	837,151	76%	
B O'Regan				
CTC Remuneration ¹	245,195	366,008	49%	Promoted to CFO from Feb 2016. Remuneration increased in FY17 to broadly align with COO and GMO. Non-monetary benefits included in FY17 but R22,701 inadvertently not included in 2016 values
STI	-	-	0%	No STIs awarded in FY17
LTI	-	91,696	100%	No LTIs awarded in FY17. FY17 charge is in respect of performance share rights awarded in FY14 which expire on 31 December 2017 if they do not vest
Total Remuneration	245,195	457,704	87%	
Z van der Bank				
CTC Remuneration ¹	-	424,803	n/a	Commenced employment 1 July 2016
Sign-on incentive	-	556,556	n/a	Awarded a sign-on incentive to compensate for entitlements that were foregone when leaving previous employment
STI	-	-	n/a	The COO STI performance bonus assessment will similarly be extended to 30 June 2018, consistent with the CEO.
LTI	-	-	n/a	Employee share plan currently on hold pending funding
Total Remuneration	-	981,359	n/a	
H van den Aardweg				
CTC Remuneration ¹	369,981	431,583	17%	7% pay increase awarded 1 July 2016; non-monetary benefits included in FY17 but R28,169 inadvertently not included in 2016 values
STI	-	-	0%	No STIs awarded in FY17
LTI	-	114,620	100%	No LTIs awarded in FY17. FY17 charge is in respect of performance share rights awarded in FY14 which expire on 31 December 2017 if they do not vest
Total Remuneration	369,981	546,203	48%	
S Selibe				
CTC Remuneration	-	59,058	n/a	Appointed KMP effective 1 March 2017 (4 months)
STI	-	-	n/a	No STIs awarded in FY17
LTI	-	-	n/a	Employee share plan currently on hold pending funding
Total Remuneration	-	59,058	n/a	

1. CTC stands for Cost to Company

The Company has benchmarked KMP remuneration against other coal development companies with an exposure to operations in South Africa taking into account comparable market capitalisation and total assets.

Non-executive Director remuneration

Fees for NEDs are determined within an aggregate Directors' fee pool limit, which is periodically reviewed for adequacy. Any increase to the aggregate Directors' fee pool is submitted to shareholders for approval. The maximum currently stands at A\$500,000 per annum and was approved by shareholders at the Annual General Meeting on 24 October 2011.

All fees are set as an annual base fee. No meeting fee is applied as Directors are expected to make every effort to attend all Board meetings and workloads on sub-committees are evenly spread across Board members.

The annual fees for NEDs (inclusive of superannuation contributions where applicable) for being a member of the Board and participating in its sub-committees were as follows:

Resource Generation Limited
Directors' report
30 June 2017

	Chairman	Deputy Chairman	South African Member	Australian Member
	\$	\$	\$	\$
Board	125,000	42,600	42,600	75,000
Audit Committee ¹	-	-	-	-
Nomination Committee ¹	-	-	-	-
Remuneration Committee ¹	-	-	-	-
Risk Management Committee ¹	-	-	-	-
Social, Ethics and Transformation Committee ¹	-	-	-	-

1. No additional fees are payable for serving on a committee as the objective is to share this workload across all Board members

The Board determined that there would be no increase in fees for FY17 and the Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.

NEDs may receive additional remuneration for consultancy work undertaken on behalf of the Group outside of the scope of Non-executive Director responsibilities. The terms of any consultancy work are market-related and are based on a fixed hourly and/or daily rate that have not been increased since 2015.

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

(v) Details of remuneration

Details of the nature and amount of each element of the emoluments of Directors and KMP of the Group are set out in the following tables.

a) Remuneration

The following tables set out the statutory remuneration disclosures required under the *Corporations Act 2001* and have been prepared in accordance with the appropriate accounting standards and have been audited.

	FY	Salary	STI	Other ⁵	Super-annuation Benefits	Long Service Leave	Termination Benefits ⁶	Performance Shares ⁷	Total Remuneration
		\$	\$	\$	\$	\$	\$	\$	\$
Executive Directors									
P Jury ¹	2017	-	-	-	-	-	-	-	-
	2016	259,587	-	-	14,583	47,982	1,079,146	-	1,401,298
S Matthews ¹	2017	-	-	-	-	-	-	-	-
	2016	192,247	-	-	14,583	36,197	658,016	-	901,043
Other Executives									
R Lowe ²	2017	800,000	-	37,151	-	-	-	-	837,151
	2016	476,190	-	-	-	-	-	-	476,190
B O'Regan	2017	325,231	-	40,777	-	-	-	91,696	457,704
	2016	227,760	-	17,435	-	-	-	-	245,195
Z van der Bank ³	2017	385,990	-	595,369	-	-	-	-	981,359
	2016	-	-	-	-	-	-	-	-
H van den Aardweg	2017	393,620	-	37,963	-	-	-	114,620	546,203
	2016	369,981	-	-	-	-	-	-	369,981
S Selibe ⁴	2017	59,058	-	-	-	-	-	-	59,058
	2016	-	-	-	-	-	-	-	-
M Collopy ¹	2017	-	-	-	-	-	-	-	-
	2016	43,290	-	-	-	6,745	47,134	-	97,169
Total	2017	1,963,899	-	711,260	-	-	-	206,316	2,881,475
	2016	1,569,055	-	17,435	29,166	90,924	1,784,296	-	3,490,876

1. Removed from office or terminated on 26 November 2015

2. Appointed 26 November 2015

3. Appointed 1 July 2016

4. Appointed KMP 1 March 2017

5. Includes sign-on incentives, motor vehicle benefits, medical aid and housing allowance (where applicable). FY16 values did not include motor vehicle benefits.

6. Termination benefits in this table are stated net of any amounts previously accrued for annual leave, sick leave and long service leave

7. The table above does not include an amount of \$1.9m relating to the forfeited performance share rights of the previous directors/executives which have been reversed out of the share-based payment reserve and credited to the income statement in FY16.

Resource Generation Limited
 Directors' report
 30 June 2017

Non-executive Directors	FY	Short-term Benefits			Post-Employment Benefits		Total Remuneration for services as NED
		Board and Committee Fees	Non-Monetary Benefits	Other Fees ¹	Super-annuation Benefits	Termination Benefits	
		\$	\$	\$	\$	\$	\$
D Gately	2017	114,155	-	-	10,845	-	125,000
	2016	67,950	-	25,023	8,832	-	101,805
L Xate	2017	42,600	-	38,926	-	-	81,526
	2016	25,357	-	10,132	-	-	35,489
R Croll	2017	42,600	-	5,888	-	-	48,488
	2016	25,357	-	-	-	-	25,357
M Dahiya ²	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
C Gilligan	2017	68,493	-	223,200	6,507	-	298,200
	2016	40,770	-	284,300	3,873	-	328,943
L Molotsane	2017	42,600	-	77,022	-	-	119,622
	2016	25,357	-	17,997	-	-	43,354
Dr K Sebati	2017	42,600	-	-	-	-	42,600
	2016	25,357	-	-	-	-	25,357
G Rose ³	2017	-	-	-	-	-	-
	2016	27,674	-	-	2,629	-	30,303
B Warner ³	2017	-	-	-	-	-	-
	2016	38,447	-	-	14,583	-	53,030
Total	2017	353,048	-	345,036	17,352	-	715,436
	2016	276,269	-	337,452	29,917	-	643,638

1. Certain Non-executive Directors received additional consultancy fees for work undertaken on behalf of the Group outside of the scope of non-executive director responsibilities. The nature of the work ranges from involvement in financial, technical and operational issues as well as engagements with key stakeholders in the project. The terms of this consultancy work are market-related and are based on a fixed hourly and/or daily rate.

2. Representative of major shareholder appointed on 17 May 2017. No fees are payable.

3. Removed from office 26 November 2015

Other than as disclosed in the table above, there were no fees paid to director-related entities.

b) Performance share rights

The number of performance share rights over ordinary shares in the Company held during FY17 by each KMP of Resource Generation Limited, including their personally related parties, are set out below. The performance rights were issued by the previous Board of Directors prior to the decision to freeze the LTIP pending funding of the project. Refer (vii) below for further details.

	Held at 30 June 2016	Granted during the year	Lapsed or forfeited during the year	Held at 30 June 2017	Vested and exercisable at 30 June 2017	Unvested at 30 June 2017
H van den Aardweg	2,500,000	-	-	2,500,000	-	2,500,000
B O'Regan	2,000,000	-	-	2,000,000	-	2,000,000
Totals	4,500,000	-	-	4,500,000	-	4,500,000

c) Shareholdings

The number of shares in the Company held during FY17 by each KMP of the Company, including their personally related parties, are set out below:

	Held at 30 June 2016	Received on vesting of rights	Received as remuneration ¹	Other net changes	Held at 30 June 2017
Non-executive Directors					
D Gately	400,000	-	-	-	400,000
L Xate ²	-	-	-	-	-
M Dahiya ³	-	-	-	-	-
Executive KMP					
R Lowe ²	2,000,000	-	-	-	2,000,000
B O'Regan	276,000	-	-	-	276,000
Z van der Bank	-	-	673,597	-	673,597
H van den Aardweg	1,050,000	-	-	-	1,050,000
S Selibe	-	-	-	30,000	30,000
Totals	3,726,000	-	673,597	30,000	4,429,597

Resource Generation Limited

Directors' report

30 June 2017

1. Shares awarded in relation to sign-on incentive. A further tranche of 1,615,591 shares were issued to the COO on 5 July 2017, the cost of which is included in FY17 remuneration.

2. In addition to the above, 62,124,089 (FY16: 62,124,089) ordinary shares are held beneficially by a related party to the KMP.

3. In addition to the above, 79,609,933 (FY16: 79,609,933) ordinary shares are held beneficially by a related party to the KMP.

d) Transactions with KMP

Other than as disclosed above, during FY17 there were no transactions between KMP or their closely related parties and the Group.

There are no amounts payable by KMP at 30 June 2017 (2016: nil). There are no loans with KMP.

(vi) Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below:

Details	R Lowe - CEO	B O'Regan - CFO	Z van der Bank - COO
Contract term	Contract effective 26 November 2015, minimum term of 2 years;	Contract effective 21 March 2011, no fixed term;	Contract effective 1 July 2016, no fixed term;
Termination and notice	Fixed employment term through to 1 January 2018; post 1 January 2018, contract subject to one month's notice with no termination payment;	One month's notice by employee; termination payments equivalent to three months' salary package;	One month's notice by employee; termination payments in line with Basic Conditions of Employment Act.
Salary review	Base salary and superannuation to be reviewed annually;	Base salary and superannuation to be reviewed annually;	Base salary and superannuation to be reviewed annually;
Annual leave	Provision of four weeks' annual leave;	Provision of four weeks' annual leave;	Provision of four weeks' annual leave;
STIs	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings (i) completion of the Company's debt funding arrangements (50%), (ii) construction commencement before the end of September 2016 (10%), (iii) recruitment of COO and other key project executives (10%), (iv) completion of geological data base and mining plan (10%), (v) performance of the Company's share price (5%); and (vi) other (15%).	Provision made for the awarding of bonuses at the recommendation of the Remuneration Committee	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings (i) the appointment, management and motivation of the project team (20%) (ii) overall delivery of the Boikarabelo Coal Mine project on time and on budget (40%) (iii) effective management of the EPC contractors appointed by the Company (20%) (iv) the development of appropriate policies and procedures (10%) (v) the overall safety, compliance and discipline at the mine (10%)
LTIs	Provision made for the award of performance share rights, subject to Board approval. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.	Provision made for the award of performance share rights. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.	No provision made for the award of performance share rights.
Details	H van den Aardweg - GMO	S Selibe - HML	
Contract term	Contract effective 1 November 2008, no fixed term;	Contract effective 1 March 2016, no fixed term;	
Termination and notice	One month's notice by employee; termination payments equivalent to three months' salary package;	One month's notice by employee; termination payments in line with Basic Conditions of Employment Act.	
Salary review	Base salary and superannuation to be reviewed annually;	Package salary to be reviewed annually;	
Annual leave	Provision of four weeks' annual leave;	Provision of four weeks' annual leave;	
STIs	Provision made for the awarding of bonuses at the recommendation of the Remuneration Committee	Provision made for the awarding of bonuses at the discretion of the Board	
LTIs	Provision made for the award of performance share rights.	No provision made for the award of performance share rights.	

Resource Generation Limited
Directors' report
30 June 2017

Non-executive Directors serve on a month-to-month basis and there are no termination payments payable.

Key financial data

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2017.

	30 June 2017	30 June 2016	30 June 2015	30 June 2014 *Restated	30 June 2013 *Restated
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	759	279	677	4,110	638
Net loss before tax	(1,975)	(7,656)	(4,944)	(1,720)	(4,013)
Net loss after tax	(1,974)	(7,657)	(4,949)	(1,727)	(4,035)
	cents	cents	cents	cents	cents
Share price at start of year	8	7	13	20	30
Share price at end of year	5	8	7	13	20
Basic earnings per share	(0.3)	(1.3)	(0.9)	(0.4)	(1.5)
Diluted earnings per share	(0.3)	(1.3)	(0.9)	(0.4)	(1.5)

*These items were restated in the 2016 annual report

There were no dividends paid or proposed during the five years to 30 June 2017.

(vii) Share-based compensation

Performance share rights

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. For the performance share rights current as at 30 June 2017 (as approved by the previous Board), the performance hurdles include the following:

- Funding to enable all material construction, expected during FY18.
- Production of the first 100,000 tonnes of ROM coal, expected during FY20.

The Long-Term Incentive Plan has been put on hold by the new Remuneration Committee pending funding of the Boikarabelo Coal Mine.

Unissued ordinary shares of Resource Generation Limited under performance share rights, held by KMP, at the date of this report are as follows:

Name	Grant date	Financial year in which rights may vest	Issue price of shares	Value per right at grant date	Number granted under right	Maximum total value of grant yet to vest	Year granted
						\$	
H van den Aardweg	28-Jan-14	2018	Nil	\$0.18	1,000,000	\$180,000	2014
H van den Aardweg	28-Jan-14	2020	Nil	\$0.18	1,500,000	\$270,000	2014
B O'Regan	28-Jan-14	2018	Nil	\$0.18	1,000,000	\$180,000	2014
B O'Regan	28-Jan-14	2020	Nil	\$0.18	1,000,000	\$180,000	2014

There is no pre-determined vesting or exercisable date for performance share rights. They are converted to shares on the date of vesting, which is at the discretion of the holder once performance hurdles are met. During FY17, no performance share rights vested.

The assessed fair value at grant date of performance share rights granted to employees is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. The value attached to the performance share right is the share price on the day of issue.

No holder has any right under the performance share rights to participate in any other share issue of the Company or any other entity.

5. Additional information

(i) Shares under option

At 30 June 2017 there were 5.75m unissued ordinary shares under performance share rights. No performance share rights were converted during FY17. Refer to note 19 of the financial statements for further details.

(ii) Insurance and indemnification of officers

Resource Generation Limited provides a Deed of Indemnity and Access (Deed) in favour of each of the Directors of Resource Generation Limited and its subsidiary companies and each person who acts or has acted as a representative of the Company serving as an officer of another entity at the request of the Company. The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for losses, liabilities, costs and charges incurred as a director or officer of the Group. Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending civil or criminal proceedings that may be brought against directors and officers in their capacity as directors and officers of the Group, and other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. During the financial year, the Company paid insurance premiums to cover, to the extent permitted by law, any claims and expenses which may arise as a result of work performed in their capacities as directors or officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

The Company has entered into an agreement to provide access to Company records and to indemnify the directors and officers of the Company. The indemnity relates to any liability:

- (a) as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law.
- (b) for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

(iii) Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001*, or any other relevant jurisdiction in which the Company operates, for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

(iv) Rounding of amounts

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

(v) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15 of the financial report.

(vi) Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and Group are important. The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 21, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors, made pursuant to section 298 (2) of the *Corporations Act 2001*.

On behalf of the Directors



D Gately

Chairman

Brisbane

30 August 2017

The Directors
Resource Generation Limited
Level 1, Station Street,
Indooroopilly,
QLD 4068

30 August 2017

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 audit of the financial report of Resource Generation Limited for the financial year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Resource Generation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

		Consolidated	
	Notes	2017	2016
		\$'000	\$'000
Interest revenue	5	182	210
Other	5	577	69
		<u>759</u>	<u>279</u>
Administration, rent and corporate		(3,606)	(1,638)
Depreciation of property, plant and equipment	10	(387)	(334)
Employee benefits expense		(2,640)	(3,682)
Finance expenses		(3)	(22)
Share-based compensation (expense)/credit	20	(355)	1,906
Unrealised foreign exchange movements		4,257	(4,165)
Loss before income tax		<u>(1,975)</u>	<u>(7,656)</u>
Income tax benefit/(expense)	6	1	(1)
Loss from continuing operations		<u>(1,974)</u>	<u>(7,657)</u>
Loss for the year		<u>(1,974)</u>	<u>(7,657)</u>
Other comprehensive income/(loss), net of income tax			
Items that may be subsequently reclassified to profit and loss when specific conditions are met:			
Exchange differences on translation of foreign operations	20	13,648	(19,550)
Total comprehensive income/(loss)		<u>11,674</u>	<u>(27,207)</u>
Loss is attributable to:			
Owners of Resource Generation Limited		<u>(1,974)</u>	<u>(7,657)</u>
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Resource Generation Limited		<u>11,674</u>	<u>(27,207)</u>
Headline loss		<u>(1,974)</u>	<u>(7,657)</u>
Loss per share			
Loss per share for loss from continuing operations		Cents	Cents
Basic loss per share	28	(0.3)	(1.3)
Diluted loss per share	28	(0.3)	(1.3)
Headline loss per share	28	(0.3)	(1.3)

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

Resource Generation Limited
Consolidated statement of financial position
As at 30 June 2017

		Consolidated	
		2017	2016
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	7	4,682	11,955
Trade and other receivables	8	170	146
Deposits and prepayments	9	180	174
		<u>5,032</u>	<u>12,275</u>
Non-current assets			
Property, plant and equipment	10	33,081	30,365
Mining tenements and mining development	11	153,677	128,644
Deposits	12	2,042	1,859
		<u>188,800</u>	<u>160,868</u>
TOTAL ASSETS		<u><u>193,832</u></u>	<u><u>173,143</u></u>
Current liabilities			
Trade and other payables	13	8,185	6,967
Provisions	14	300	180
Borrowings	17	12,665	3,887
		<u>21,150</u>	<u>11,034</u>
Non-current liabilities			
Provisions	15	2,175	1,983
Borrowings	18	34,115	35,728
Royalties payable	16	1,869	1,946
		<u>38,159</u>	<u>39,657</u>
TOTAL LIABILITIES		<u><u>59,309</u></u>	<u><u>50,691</u></u>
NET ASSETS		<u><u>134,523</u></u>	<u><u>122,452</u></u>
Equity			
Contributed equity	19	223,622	223,622
Reserves	20	(36,910)	(50,955)
Accumulated losses	20	(52,189)	(50,215)
TOTAL EQUITY		<u><u>134,523</u></u>	<u><u>122,452</u></u>

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

Resource Generation Limited
Consolidated statement of changes in equity
For the year ended 30 June 2017

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2015		223,622	(11,817)	(60,240)	151,565
Loss for the year	20 b)	-	-	(7,657)	(7,657)
Other comprehensive loss for the year - exchange differences on translation of foreign operations	20 a)	-	(19,550)	-	(19,550)
Total comprehensive loss for the year		-	(19,550)	(7,657)	(27,207)
Transactions with owners in their capacity as owners:					
Transfer of option premium reserve to earnings	20 a)	-	(17,682)	17,682	-
Employee share plan - value of employee services	20 a)	-	(1,906)	-	(1,906)
		-	(19,588)	17,682	(1,906)
Balance at 30 June 2016		223,622	(50,955)	(50,215)	122,452
Loss for the year	20 b)	-	-	(1,974)	(1,974)
Other comprehensive income for the year - exchange differences on translation of foreign operations	20 a)	-	13,648	-	13,648
Total comprehensive income/(loss) for the year		-	13,648	(1,974)	11,674
Transactions with owners in their capacity as owners:					
Treasury shares to be issued, vesting on 30 June 2018	20 a)	-	42	-	42
Employee share plan - value of employee services	20 a)	-	204	-	204
Employee share plan - value of employee services	20 a)	-	151	-	151
		-	397	-	397
Balance at 30 June 2017		223,622	(36,910)	(52,189)	134,523

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

Resource Generation Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

		Consolidated	
	Notes	2017	2016
		\$'000	\$'000
Cash flows from operating activities			
Payments to suppliers and employees		(4,277)	(5,369)
Interest received		182	210
Finance costs		(3)	(22)
Taxation refunds/(payments)		1	(1)
Net cash outflow from operating activities	27	<u>(4,097)</u>	<u>(5,182)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(185)	(537)
Payments for mining tenements and mining development		(6,673)	(8,836)
Net cash outflow from investing activities		<u>(6,858)</u>	<u>(9,373)</u>
Cash flows from financing activities			
Repayment of borrowings		(2,798)	(1,935)
Drawdown of borrowings		6,830	-
Net cash inflow/(outflow) from financing activities		<u>4,032</u>	<u>(1,935)</u>
Net decrease in cash and cash equivalents		<u>(6,923)</u>	<u>(16,490)</u>
Cash and cash equivalents at the beginning of the year		11,955	28,551
Effects of exchange rate movements on cash and cash equivalents		(350)	(106)
Cash and cash equivalents at the end of the year	7	<u><u>4,682</u></u>	<u><u>11,955</u></u>

The above cash flow statements should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the presentation of the consolidated financial statements are as 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 Resource Generation Limited and its subsidiaries.

a) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board including Interpretations and the *Corporations Act 2001*. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

It is recommended that this financial report is read in conjunction with any public announcements made by Resource Generation Limited during the year, in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the year ended 30 June 2016, except for the impact of the Standards and Interpretations described below as set out in note 1 w). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 30 August 2017.

Compliance with IFRS

The financial report of Resource Generation Limited also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Going concern

As at 30 June 2017, the Group had net current liabilities of \$16.1 million (2016: net current asset of \$1.2 million), made a loss of \$2.0 million (2016: \$7.7 million loss) for the year and recorded a net cash outflow from operations of \$4.1 million (2016: \$5.2 million). The Group had a cash balance at 30 June 2017 of \$4.7 million (2016: \$12.0 million). The Directors have prepared the financial report on a going concern basis.

In concluding that the going concern basis is appropriate, a cash flow forecast was prepared for the twelve months to 31 August 2018. The forecast assumes the receipt of additional funding following the agreement of commercial terms with a financing syndicate to provide funding to complete the construction of the Boikarabelo Coal Mine and to meet ongoing working capital requirements. Based on forecast minimum committed costs, the ability of the Group to continue as a going concern is dependent on securing additional funds before December 2017.

During the year under review, the Group announced that it had reached broad agreement on commercial terms with a financing syndicate comprising at least RMB, PIC, IDC and Noble (Debt Club) for funds sufficient to meet both mine development costs and ongoing working capital requirements. Those terms required management to achieve significant progress on all material contracts for the mine development and coal transport and sales arrangements, before Debt Club members would commence their respective credit approval processes. All major contracts are now substantially agreed and in a near executable format with the exception of the domestic coal supply agreement with Eskom. As further progress on the Eskom contract remains a condition precedent to Debt Club credit committee approval, and given the present difficulties in agreeing the terms of supply with Eskom, the Board believes that seeking project finance from the Debt Club is no longer viable.

Mindful of the present difficulties in securing terms of supply with Eskom, management has in parallel been exploring an alternative funding proposal to place before the Board (the Alternative Funding). This proposal is not subject to a committed domestic coal supply agreement. The credit approval processes of these lenders, who are familiar with the project, have commenced and are expected to be concluded by October 2017. Provided those processes are successful, a signed term sheet could be expected before the end of October 2017. At that time the Board will consider a recommendation from management and make a decision on the Alternative Funding proposal. Assuming this is approved, the first drawdown will then allow construction of the mine to commence towards the end of the first quarter of 2018. First saleable coal production will then occur in the first quarter of 2020.

Therefore, bridging funding arrangements will be required to cover the period from December 2017 until the first drawdown from the Alternative Funding. The Group has held preliminary discussions with a related party in respect of a proposal to provide bridging funding.

Notwithstanding this, should the Group not receive the proceeds anticipated under the Alternative Funding and the bridging 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.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

1. Summary of Significant Accounting Policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

b) Principles of consolidation

Subsidiaries including development partners

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Generation Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended. Resource Generation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c) Segment reporting

The Group has adopted a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes, consistent with the internal reporting provided to the Board.

d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not restated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

1. Summary of Significant Accounting Policies (continued)

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit and loss on repayment of the monetary items.

Foreign exchange differences reflect the movement of the exchange rate between the Australian Dollar and the South African Rand. The exchange rate at 30 June 2017 was 10.025 (2016: 10.993).

(iii) Group companies

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

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates over the period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in other comprehensive income and accumulated in equity.

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

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

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised on a time proportional basis using the effective interest method.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is at the rate that exactly discounts future cash receipts through the expected life of the financial asset to that asset's net carrying value on initial recognition.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of tax laws at the end of the accounting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken where the tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liability settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising on initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

1. Summary of Significant Accounting Policies (continued)

g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets such as mining tenements and mining development are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit and loss immediately.

The above principles of impairment also apply to mining tenements.

i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

k) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

l) Earnings per share

- (i) Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Group by the weighted average number of shares outstanding during the year.
- (ii) Diluted earnings per share adjusts the figures used to determine EPS to take into account:
 - the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
 - the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

m) Goods and services tax (GST) and Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from the taxation authority is shown as a receivable in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

The treatment for VAT, in relation to offshore entities, is consistent with the treatment of GST.

1. Summary of Significant Accounting Policies (continued)

n) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date. No dividends were paid or proposed to be paid to members during the current year.

o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment and borrowing costs capitalised during the construction of a qualifying asset.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation on assets is calculated on a straight-line basis to allocate their cost, net of their residual values, over their useful estimated lives as follows:

Plant and equipment	4-25 years, depending on the nature of the asset
Computer equipment	2-5 years
Office equipment	1-10 years
Motor vehicles	5 years
Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 h)).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

p) Employee benefits

(i) Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(ii) Retirement benefit obligations

Contributions to superannuation funds by the consolidated entity are expensed in the year they are paid or become payable.

q) Share-based payments

Share-based compensation benefits are provided to employees via the Resource Generation Limited Employee Share Plan.

The fair value of performance share rights granted under the Resource Generation Limited Employee Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The assessed fair value at grant date of performance share rights granted to individuals is allocated equally over the period from grant date to vesting date. The value attached to the performance share rights is the share price on the day of issue.

For options issued and approved by shareholders, fair values at grant date are determined using a binomial pricing model that takes into account exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

1. Summary of Significant Accounting Policies (continued)

r) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

s) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates the designation at each reporting date.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are included in trade and other receivables (note 8).

(ii) Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party, whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets to liabilities assumed, is recognised in profit or loss.

(iii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, significant or prolonged decline in the fair value of a security below its costs is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the profit and loss. Impairment losses recognised in the profit and loss on equity instruments classified as available-for-sale are not reversed through the profit and loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit and loss.

t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

u) Comparative figures

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

v) New accounting standards and interpretations

In the current year 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 year.

The Company has reviewed the above Accounting Standards and determined that they have no material impact on the financial report for the year ended 30 June 2017.

1. Summary of Significant Accounting Policies (continued)

w) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are listed below. The impact of these has not been determined by the Group.

- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 9 Financial Instruments, and the relevant amending standards
- 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 – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 16 Leases
- AASB 2017-2 Amendments to Australian Standards - Further Annual Improvements 2014-2016 Cycle

x) Parent entity financial information

The financial information for the parent entity, Resource Generation Limited, disclosed in note 29, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint ventures.

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of Resource Generation Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

y) Exploration and evaluation assets

Exploration and evaluation costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are expensed as incurred and only carried forward where there is certainty that the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest.

Once the technical feasibility and commercial viability of the area of interest are demonstrable, all carrying costs in respect of that area of interest are transferred to mining tenements and mining development.

When an area of interest is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs impaired to the extent that they will not be recoverable in the future.

z) Mining tenements and mining development

Mining tenement and mining development costs are accumulated in respect of each mine. Carried costs include exploration and evaluation costs which have been transferred once the technical feasibility and commercial viability of the related mine is established (see accounting policy y) above). Development costs and overhead costs that are directly attributable to the mine development are also capitalised, together with borrowing costs incurred during the construction of the mine (see accounting policy t).

Development costs related to a mine are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the mine.

When a mine is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each mine is also reviewed at the end of each accounting year and accumulated costs impaired to the extent that they will not be recoverable in the future. Mining tenements are recognised at cost, after provision for impairment.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors and management under policies approved by the Board. The Board and management identify and evaluate financial risks and provide principles for overall risk management.

2. Financial risk management (continued)

a) Market risk

(i) Interest rate risk

The Group is not exposed to any material interest rate risk as the Noble USD borrowing is fixed at 10.75% per annum. Interest on the EHL borrowing is payable at the ABSA Bank prime lending rate plus 3%. A 10% movement in the interest rate would result in an increase/decrease in development costs of \$0.2m (2016: \$0.1m).

(ii) Foreign currency risk

The Group operates internationally and is exposed to currency exposures in respect of the South African Rand in relation to the development and exploration activities in South Africa and the US Dollar in respect of borrowings. Foreign exchange risk is managed through the holding of cash deposits in both South African Rand and US Dollar to match forecast expenditure over the near term. The foreign exchange exposure is not hedged.

If the South African Rand weakened/strengthened against the Australian Dollar by 10% since 30 June 2017 the impact on the Group's net loss after tax would amount to \$0.2m (2016: \$0.6m). If the South African Rand weakened/strengthened against the US Dollar by 10% since 30 June 2017 the impact on the Group's net loss after tax due to retranslation of the US Dollar borrowings would amount to \$4.2m (2016 : \$3.4m). Other components of equity would not have been affected, with the exception of the foreign currency translation reserve which would have been increased/decreased by \$3.6m (2016: \$6.8m) with a 10% movement in the South African Rand against the Australian Dollar.

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

	2017	2016
	Rand	Rand
	'000	'000
Cash at Bank (South Africa & Mauritius)	41,119	12,499
VAT receivable	1,240	1,139
Mining related licence deposits	20,467	20,437
Royalty payable	18,741	21,395
Creditors and accruals	81,665	75,252
Borrowings (EHL loan)	47,255	67,043
	USD	USD
	'000	'000
Cash at Bank	430	8,000
Borrowings (Noble loan)	32,330	24,939

(iii) Price risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Group is exposed to commodity price risk to the extent it relates to funding activities.

b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Group has no material credit risk exposure to any single receivable or receivables under financial instruments entered into by the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions only independently rated parties with a minimum rating by Standard & Poors of "A" are accepted.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Cash flow forecasting monitors liquidity requirements. The Group has \$8.1m (2016: \$7.0m) in trade and other payables as at 30 June 2017, all of which are due within 6 months. For an assessment of the Group as a going concern, refer to note 1 a).

d) Cash flow and fair value interest rate risk

As the Group's variable interest-bearing liabilities amount to only \$4.7m (2016: \$6.1m), its income and operating cash flows are not materially exposed to changes in market interest rates. The Group has \$4.7m (2016: \$11.9m) in interest bearing accounts which is subject to movements in interest rates. At the current level of interest rates, any risk is considered minimal.

e) Fair value estimation

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's financial report for the year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Capitalisation of Mining Tenements and Mining Development expenditure

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each mine in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises direct costs plus overhead expenditure incurred which can be directly attributable to the development process, in accordance with AASB 116 'Property, Plant & Equipment'.

All expenditure incurred prior to the commencement of commercial levels of production from each area of interest is carried forward to the extent which recoupment out of revenue to be derived from the sale of production from the area of interest, or by its sale, is reasonably assured. Once commercial levels of production commence, the development expenditure in respect of that area of interest will be depreciated on a straight-line basis, based upon an estimate of the life of the mine.

Development expenditure on the Boikarabelo Coal Mine has been fully capitalised as per note 11. The Group is confident of the full recovery of the expenditure on the Boikarabelo Coal Mine on the basis of the financial modelling of the mine incorporating forecast production, sales levels and capital expenditure. This model is updated regularly and used to assess whether an impairment provision is required. Based on the current critical estimates and judgements, the Directors do not believe that an impairment provision is required.

As at 30 June 2017 the carrying value of the capitalised Mining Tenements and Mining Development Expenditure is \$153.7m (2016: \$128.6m) as disclosed in note 11. In the current year \$10.0m of development expenditure has been capitalised.

Management has exercised judgement in determining whether development expenditure incurred meets the criteria for capitalisation, including:

- Assessing whether costs are directly attributable to bringing the mine to the location and condition necessary for operating as intended; and
- Assessing whether it is probable that the expenditure will result in future economic benefits, including an assessment of the availability of adequate funding for development and exploitation of the asset or alternatively, the ability to sell the asset.

Impairment of Property, Plant and Equipment and Mining Tenements and Mining Development expenditure

As at 30 June 2017 the carrying value of Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure is \$33.1m (2016: \$30.4m) and \$153.7m (2016: \$128.6m) respectively, as disclosed in notes 10 and 11.

Management has exercised judgement in determining whether indicators of impairment exist for Property, Plant and Equipment and Mining Tenements and Mining Development expenditure. When such indicators are identified, management is required to exercise significant judgment in making an estimate of the recoverable amount of these assets, including:

- Future cash flows for Cash Generating Units ('CGU'), which include estimates of future coal prices, operating and capital costs and foreign exchange rates; and
- Discount rates.

4. Segment information

4.1 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.

4. Segment information (continued)

4.2 Segment revenues and results

	Segment Revenue		Segment Loss	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Mining tenements and mining development	623	243	(848)	(629)
Corporate - unallocated	136	36	(1,126)	(7,028)
Total for continuing operations	759	279	(1,974)	(7,657)

Segment revenue comprises interest income and other sundry income as disclosed in note 5.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. The mining tenements and mining development segment loss represents the loss incurred by that segment without allocation of central administration costs and salaries, gains and losses, finance costs and income tax expense, all of which are included in the corporate segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4.3 Segment asset and liabilities

	2017 \$'000	2016 \$'000
Segment assets		
Mining tenements and mining development	193,082	162,114
Corporate - unallocated	750	11,029
	193,832	173,143
Segment liabilities		
Mining tenements and mining development	58,975	50,390
Corporate - unallocated	334	301
	59,309	50,691

4.4 Other segment information

	Depreciation and amortisation		Additions to property, plant and equipment	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Mining tenements and mining development	367	309	185	504
Corporate - unallocated	20	25	-	33
Total	387	334	185	537

4.5 Other segment information - mining tenements and mining development

	Additions	
	2017 \$'000	2016 \$'000
Mining tenements and mining development	9,968	20,025
Corporate - unallocated	-	-
	9,968	20,025

4.6 Geographical information

	Revenue from external customers		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Australia	136	36	18	39
South Africa	623	243	188,782	160,829
Total	759	279	188,800	160,868

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5 Total revenue

	Consolidated	
	2017	2016
	\$'000	\$'000
Revenue from continuing operations		
Interest earned	182	210
	182	210
Other		
Other	577	69
	577	69
Total	759	279

6 Income tax benefit/(expense)

	Consolidated	
	2017	2016
	\$'000	\$'000
a) Income tax benefit/(expense)		
Current tax	1	(1)
Deferred tax	-	-
Under/(over) provided in prior years	-	-
	1	(1)
Income tax benefit/(expense) is attributable to:		
Profit/(loss) from continuing operations	1	(1)
Loss from discontinued operations	-	-
Aggregate income tax benefit/(expense)	1	(1)
Deferred income tax expense included in income tax benefit/(expense) comprises:		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-
	-	-

	Consolidated	
	2017	2016
	\$'000	\$'000
b) Numerical reconciliation of income tax benefit/(expense) to <i>prima facie</i> tax payable		
Loss from continuing operations before income tax benefit/(expense)	(1,975)	(7,656)
Tax charge at the Australian rate of 30%	-	-
Tax benefit at the Australian rate of 30%	593	2,297
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Share-based compensation (expense)/credit	(107)	572
Income tax benefit not recognised	(485)	(2,870)
Income tax benefit/(expense)	1	(1)

	Consolidated	
	2017	2016
	\$'000	\$'000
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	16,757	16,338
Potential tax benefit at Australian tax rate of 30%	5,027	4,901

In addition to the above, there are unused tax losses for the subsidiaries of \$11.1m (2016: \$10.8m) for which a deferred tax asset of \$3.1m (2016: \$3.0m) has not been recognised.

Resource Generation Limited
Notes to the consolidated financial statements
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6 Income tax benefit/(expense) (continued)

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.

7 Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash at bank and in hand	4,682	11,955
	4,682	11,955

8 Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$'000	\$'000
Receivables	15	9
Government tax refunds	155	137
	170	146

9 Current assets - deposits and prepayments

	Consolidated	
	2017	2016
	\$'000	\$'000
Prepayments	22	9
Deposits	158	165
	180	174

10 Non-current assets - property, plant and equipment

	Consolidated				
	Land & Buildings	Computer Equipment	Office Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book value 01 July 2015	34,514	154	129	667	35,464
Additions	-	244	15	278	537
Disposals	-	(19)	-	(48)	(67)
Depreciation	(14)	(105)	(34)	(181)	(334)
Effect of foreign exchange differences	(5,086)	(12)	(18)	(119)	(5,235)
Closing net book value 30 June 2016	29,414	262	92	597	30,365
Additions	-	83	102	-	185
Disposals	-	-	-	-	-
Depreciation	(14)	(122)	(39)	(212)	(387)
Effect of foreign exchange differences	2,838	19	8	53	2,918
Closing net book value 30 June 2017	32,238	242	163	438	33,081
Assets at cost	32,285	584	300	1,140	34,309
Accumulated depreciation	(47)	(342)	(137)	(702)	(1,228)
Closing net book value 30 June 2017	32,238	242	163	438	33,081

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11 Non-current assets - mining tenements and mining development

	Consolidated	
	2017	2016
	\$'000	\$'000
Mining tenements and mining development	153,677	128,644
<i>The Boikarabelo Coal Mine</i>		
Opening net book value	128,644	129,314
Additions/movements	9,968	20,025
Effect of foreign exchange differences	15,065	(20,695)
Closing net book value	153,677	128,644

The Boikarabelo Coal Mine is the name given to the project for the development of the coal tenements in South Africa. It incorporates the assets acquired and development expenditure for Resgen Africa Holdings Limited and Resgen South Africa (Pty) Limited, including tenements held by Ledjadja Coal (Pty) Limited and Waterberg One Coal (Pty) Limited. The realisation of the assets of the Boikarabelo Coal Mine is dependent upon the successful development of the Coal Reserves.

Interest of \$3.8m (2016: \$3.9m) has been capitalised and included in mining development costs. The percentage of borrowing costs eligible for capitalisation was 96% (2016: 91%).

12 Non-current assets - deposits

	Consolidated	
	2017	2016
	\$'000	\$'000
Mining related licence deposits	2,042	1,859
	2,042	1,859

13 Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade payables	7,949	1,515
Other payables - accrued expenditure	236	5,452
	8,185	6,967

14 Current liabilities - provisions

	Consolidated	
	2017	2016
	\$'000	\$'000
Employee benefits - annual leave provision	300	180
	300	180

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15 Non-current liabilities - provisions

	Consolidated	
	2017	2016
	\$'000	\$'000
Rehabilitation provision	2,175	1,983
	2,175	1,983

16 Non-current liabilities - royalties payable

	Consolidated	
	2017	2016
	\$'000	\$'000
Royalties payable	1,869	1,946
	1,869	1,946

Royalties are payable upon the commencement of coal production and were recognised on acquisition of Resgen Africa Holdings Limited. The royalty is calculated on the basis of R2.00 per tonne of coal extracted and sold from the Boikarabelo Coal Mine to a maximum of 15.0 million tonnes. The royalty payable is discounted to present value in line with anticipated production, using a discount rate of 10.85% (2016: 9%).

17 Current liabilities - borrowings

	Consolidated	
	2017	2016
	\$'000	\$'000
EHL loan	2,142	1,877
Noble loan	10,523	2,010
	12,665	3,887

EHL loan

EHL Energy (Pty) Limited constructed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction was subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan amounted to ZAR82.5 million, is unsecured and there are 9 quarterly instalments remaining to be paid as at 30 June 2017 (2016: 13).

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 an extension of the Facility Agreement on 3 March 2017 (ASX Announcement: 14 March 2017), whereby Noble agreed to make available further funds of up to US\$8.4 million to the Company's subsidiary Ledjadja Coal (Pty) Ltd, to fund the operations and development of the mine whilst project funding is secured. US\$25.2 million has been drawn down as at 30 June 2017. It is repayable in quarterly instalments of capital and interest over 78 months commencing in April 2018 and has an annual interest rate of 10.75%.

18 Non-current liabilities - borrowings

	Consolidated	
	2017	2016
	\$'000	\$'000
EHL loan	2,572	4,222
Noble loan	31,543	31,506
	34,115	35,728

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19 Contributed equity (continued)

f) Share-based payment reserve

	Number of options/rights 2017 '000	Value of options/rights 2017 \$'000	Number of options/rights 2016 '000	Value of options/rights 2016 \$'000
Options				
Options granted previously and expired	-	-	-	17,682
Transfer of option premium reserve to earnings	-	-	-	(17,682)
Closing balance	-	-	-	-
Performance share rights				
Opening balance	6,250	706	21,700	2,612
Employee share plan expense/(credit) - apportionment of share rights over entitlement period	-	257	-	(33)
Performance rights forfeited*	(500)	(53)	(15,450)	(1,873)
Closing balance	5,750	910	6,250	706
Total options and performance share rights	5,750	910	6,250	706

* Performance share rights forfeited in respect of termination of employment. Performance hurdles in respect of these share rights related to milestones during construction and initial coal production.

g) Movement in performance share rights

Date	Details	Number of rights '000	Issue price \$	Amount \$'000
01-07-2015	Balance	21,700	-	2,612
25-11-2015	Performance rights forfeited	(15,450)	-	(1,873)
30-06-2016	Share-based compensation credit	-	-	(33)
30-06-2017	Share-based compensation expense	-	-	257
30-06-2017	Performance rights forfeited	(500)	-	(53)
30-06-2017	Balance	5,750	-	910

As at 30 June 2017 there are 6 holders of the total performance share rights of 5.75 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. For the performance rights current as at 30 June 2017 (as approved by the previous Board), the performance hurdles include the following:

- i) Funding to enable all material construction, expected during the 2018 financial year.
- ii) Production of the first 100,000 tonnes of ROM coal, expected during the 2020 financial year.

20 Reserves and accumulated losses

	Consolidated	
	2017	2016
	\$'000	\$'000
a) Reserves		
Other contributed equity	1,085	1,085
Share-based payment reserve	910	706
Treasury shares - refer note 19 c)	(2,124)	(2,317)
Foreign currency translation reserve	(36,781)	(50,429)
	(36,910)	(50,955)

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20 Reserves and accumulated losses (continued)

Movement in reserves	Consolidated	
	2017	2016
	\$'000	\$'000
Share-based payment reserve		
Opening balance	706	20,294
Transfer to accumulated losses ¹	-	(17,682)
Employee share plan expense/(credit) ²	204	(1,906)
Balance at the end of the year	910	706
Treasury shares		
Opening balance	(2,317)	(2,317)
Share-based compensation ²	151	-
Share-based compensation (shares to be issued, vesting on 30 June 2018)	42	-
Balance at the end of the year	(2,124)	(2,317)
Foreign currency translation reserve		
Opening balance	(50,429)	(30,879)
Movement for the period ³	13,648	(19,550)
Balance at the end of the year	(36,781)	(50,429)

1. The transfer from share-based payment reserve represents the reserve amount that was created in respect of share options issued in prior years. With no options currently in issue, the reserve has been transferred to accumulated losses.

2. These amounts appear as a combined amount of \$355,000 (2016: \$1,906,000 credit) in the Statement of Profit or Loss and other Comprehensive Income

3. Foreign currency translation reserve movements arise from a 9% appreciation of the Rand against the Australian Dollar during the year ended 30 June 2017 (2016: 17% depreciation).

	Consolidated	
	2017	2016
	\$'000	\$'000
b) Accumulated losses		
Opening balance	(50,215)	(60,240)
Transfer from share-based payment reserve (see note 20 a) above)	-	17,682
Loss for the year	(1,974)	(7,657)
Balance at the end of the year	(52,189)	(50,215)

21 Remuneration of auditors

During the year the following fees were paid or are payable for services provided by the auditor of the Company:

	Consolidated	
	2017	2016
	\$	\$
a) Audit and review of financial reports		
	132,662	118,125
b) Other services		
Taxation and JSE sponsor services (South Africa)	20,389	21,276
Corporate consulting (South Africa)	87,155	8,551
	107,544	29,827

It is the Company's policy to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Deloitte Touche Tohmatsu has been awarded these assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

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22 Related party transactions

a) Key management personnel

Disclosures relating to key management personnel are set out in detail in the remuneration disclosures to the Directors' report.

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	3,373,243	2,243,441
Long-term benefits (superannuation)	17,352	59,083
Long-term benefits (long service leave)	-	90,924
Termination benefits	-	1,784,296
	3,390,595	4,177,744
Share-based compensation expense/(credit)	206,316	(1,856,136)
Total remuneration for key management personnel	3,596,911	2,321,608

b) Parent entities

The parent entity within the Group is Resource Generation Limited, and this is the ultimate parent company.

c) Subsidiaries

Interests in subsidiaries are set out in note 23.

d) Related parties

The Group has borrowings of US\$25.2 million plus accrued interest of US\$7.2m from Noble Resources International Pte Limited (Noble). Noble has a 13.69% shareholding in the Company as at 30 June 2017 (2016: 13.69%).

Noble was appointed as exclusive supply chain management and marketing adviser for both export and domestic coal for a period of thirty five (35) years under which it is entitled to marketing fees. In addition, Noble has offtake agreements in respect of both export and domestic thermal coal product for a period of thirty five (35) and eight (8) years respectively.

The Group entered into an agreement in 2014 with Altius Investment Holdings (Pty) Limited (Altius) whereby a commission is payable for successfully completing a project debt facility for the main construction activities of the Boikarabelo Coal Mine Project. Altius is a related party of one of the Non-executive Directors and one of the Executive KMP. Neither of these persons was an officer of the Company when the agreement was entered into.

The Group has entered into an agreement with one of the Non-Executive Directors whereby the Director will arrange for negotiations in respect to an economic rail freight tariff reduction. Any such reduction in the tariff will be subject to an annual success fee payable following the signing of a contract with TFR reflecting the reduced tariff. The agreement was entered into prior to the Director being appointed.

23 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2017	2016
			%	%
Resgen Mauritius Limited	Mauritius	Ordinary	100	100
Resgen South Africa (Pty) Ltd - owned 100% by Resgen Mauritius Limited	South Africa	Ordinary	100	100
Waterberg One Coal (Pty) Limited - owned 74% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	74	74
Resgen SA Farms (Pty) Limited - owned 100% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	100	100
Resgen Africa Holdings Limited	Mauritius	Ordinary	100	100
Ledjadja Coal (Pty) Limited - owned 74% by Resgen Africa Holdings (Pty) Limited	South Africa	Ordinary	74	74
Resgen Share Plan Pty Limited	Australia	Ordinary	100	100
Resgen Scrip Lending Pty Limited	Australia	Ordinary	100	100

The parent company is Resource Generation Limited. The subsidiaries are controlled by Resource Generation Limited and the subsidiaries are fully consolidated from the date on which control passed to the Group.

The minority interest in Ledjadja Coal (Pty) Limited and Waterberg One Coal (Pty) Limited is held by Fairy Wing Trading 136 (Pty) Limited (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 consolidated financial statements.

Resource Generation Limited
Notes to the consolidated financial statements
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24 Dividends

There were no dividends recommended or paid during the financial year.

25 Commitments

	Consolidated	
	2017	2016
	\$'000	\$'000
a) Lease commitments for premises		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	241	272
Later than one year, but not later than 5 years	8	168
	249	440
Non-cancellable operating leases on premises	249	440
	249	440
b) EHL Loan		
Interest repayments under the EHL loan facility as disclosed in notes 17 and 18:		
Within one year	525	727
Later than one year, but not later than 5 years	261	716
	786	1,443
c) Noble Loan		
Interest repayments under the Noble loan facility as disclosed in notes 17 and 18:		
Within one year	2,083	-
Later than one year, but not later than 5 years	6,886	3,959
Later than 5 years	771	3,204
	9,740	7,163
d) Capital commitments		

The Group has \$5.0 million (2016: \$5.4 million) in commitments in respect of the development of the Boikarabelo Coal Mine.

There is a potential property acquisition of \$9.8 million (2016: \$9.0 million) contingent to events subsequent to the commencement of mine production.

26 Events occurring after the reporting period

Subsequent to the end of the financial year, the Board believed it would be reasonable to ask the Debt Club members to undertake their credit approval process to a conclusion notwithstanding the lack of an Eskom memorandum of understanding, but on the basis that any draw down of senior debt be subject to a concluded domestic coal supply agreement being in place.

However, on 23 August 2017 some Debt Club members formally declined to proceed on that basis. Instead they required a greater degree of certainty around the terms of supply to Eskom before proceeding to secure credit approval for funding of the project. In the circumstances, the Board now believes that seeking project finance from the Debt Club is no longer viable.

Mindful of the present difficulties in securing terms of supply with Eskom, management has in parallel been exploring an alternative funding proposal to place before the Board (the Alternative Funding). This proposal is not subject to a committed domestic coal supply agreement. The credit approval processes of these lenders, who are familiar with the project, have commenced and are expected to be concluded by October 2017. Provided those processes are successful, a signed term sheet could be expected before the end of October 2017. At that time the Board will consider a recommendation from management and make a decision on the Alternative Funding proposal.

Subsequent to the end of the financial year, Noble agreed to defer the date on which loan repayments were to commence from September 2017 to April 2018 (refer note 17).

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27 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2017	2016
	\$'000	\$'000
Loss for the year	(1,974)	(7,657)
Depreciation	387	334
Share-based compensation expense/(credit)	355	(1,906)
Unrealised foreign exchange (gain)/loss	(4,257)	4,165
Changes in operating assets and liabilities:		
Increase/ (decrease) in trade and other payables	1,292	(353)
Increase/ (decrease) in provisions	312	-
(Increase)/ decrease in trade and other receivables	(212)	235
Net cash outflow from operating activities	(4,097)	(5,182)

28 Earnings per share

	Consolidated	
	2017	2016
	Cents	Cents
a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.3)	(1.3)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.3)	(1.3)
b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.3)	(1.3)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(0.3)	(1.3)
c) Headline earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.3)	(1.3)
Total headline earnings per share attributable to the ordinary equity holders of the Company	(0.3)	(1.3)
d) Reconciliation of earnings used in calculating earnings per share		
	Consolidated	
	2017	2016
	\$'000	\$'000
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,974)	(7,657)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,974)	(7,657)
Headline loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,974)	(7,657)
e) Weighted average number of shares used as the denominator		
	Consolidated	
	2017	2016
	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	577,849,388	577,174,838
Weighted average number of ordinary shares used as the denominator in calculating headline earnings per share	577,849,388	577,174,838

f) Information concerning the classification of securities

Performance share rights

Performance share rights are considered to be potential ordinary shares. These potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decreases earnings per share or increases loss per share from continuing operations. As their inclusion decreases the loss per share, they have therefore not been included in the determination of diluted earnings per share. The performance share rights have not been included in the determination of basic earnings per share.

Resource Generation Limited
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29 Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent	
	2017	2016
	\$'000	\$'000
Balance sheet		
Current assets		
Cash and cash equivalents	580	10,818
Trade and other receivables	32	45
Deposits and prepayments	121	127
	<u>733</u>	<u>10,990</u>
Non-current assets		
Property, plant and equipment	18	39
Investments	73,915	74,069
Related party loans	119,788	100,385
	<u>193,721</u>	<u>174,493</u>
Total assets	<u>194,454</u>	<u>185,483</u>
Current liabilities		
Trade and other payables	336	302
	<u>336</u>	<u>302</u>
Total liabilities	336	302
Net assets	<u>194,118</u>	<u>185,181</u>
Shareholders' equity		
Contributed equity	223,622	223,622
Reserves		
Share-based payment reserve	909	706
Other contributed equity	1,085	1,085
Accumulated losses	(31,498)	(40,232)
Total equity	<u>194,118</u>	<u>185,181</u>
Profit/(loss) for the year	<u>8,735</u>	<u>(17,979)</u>
Total comprehensive profit/(loss)	<u>8,735</u>	<u>(17,979)</u>

b) Guarantees entered into by the parent entity

Post the commencement of operations there are performance obligations under the coal export offtake contracts. The repayments under the Noble and EHL loans have been guaranteed by the parent entity.

Letters of support have been provided to all subsidiaries to confirm that the parent entity will continue to provide financial support to enable them to continue in operation for 12 months from 30 August 2017. In addition, the parent entity has subordinated certain loan receivables owing by the subsidiary companies.

c) Contingent liabilities of the parent entity

As at 30 June 2017, the parent entity had no contingent liabilities.

d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2017, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

Resource Generation Limited

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 40 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with accounting standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of the performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) note 1 a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors, made pursuant to section 295(5) of the *Corporations Act 2001*.



D Gately
Chairman
Brisbane
30 August 2017

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resource Generation Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a net loss of \$2.0 million (2016: \$7.7 million) and used net cash in operating activities of \$4.1 million (2016: \$5.2 million) during the year ended 30 June 2017. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Material Uncertainty Related to Going Concern” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Capitalisation of Mining Tenements and Mining Development Expenditure</p> <p>As at 30 June 2017 the carrying value of capitalised Mining Tenements and Mining Development Expenditure is \$153.7 million (2016: \$128.6 million) as disclosed in note 11. In the current year, \$9.9 million of development expenditure has been capitalised.</p> <p>Management is required to exercise judgement in determining whether development expenditure incurred meets the criteria for capitalisation, including:</p> <ul style="list-style-type: none"> • Assessing whether costs are directly attributable to bringing the mine to the location and condition necessary for operating as intended; and • Assessing whether it is probable that the expenditure will result in future economic benefits, including an assessment of the availability of adequate funding for development and exploitation of the asset or alternatively the ability to sell the asset. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Testing the design, implementation and operating effectiveness of key controls management has in place to determine whether costs meet the criteria for capitalisation; • Evaluating management’s assessment of development costs incurred during the year, including additions to the capitalised Mining Tenements and Mining Development Expenditure asset; • Obtaining an understanding of the current status of the mine development including key activities undertaken during the year; • Testing on a sample basis costs capitalised during the year and agreeing to supporting documentation in order to understand the nature of the cost and assess whether it meets the criteria for capitalisation; and • Assessing the availability of adequate funding as part of the overall work performed on Going Concern. <p>We also assessed the appropriateness of the disclosures in notes 1(z), 3 and 11 to the financial statements.</p>
<p>Impairment Indicators for Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure</p> <p>As at 30 June 2017 the carrying value of Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure is \$33.1 million (2016: \$30.4 million) and \$153.7 million (2016: \$128.6 million) respectively as disclosed in note 10 and 11.</p> <p>Management is required to exercise judgement in determining whether indicators of impairment exist for Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Testing the design and implementation of key controls management have in place to assess the indicators of impairment of the Group’s CGU; and • Obtaining management’s assessment of indicators of impairment for the Group’s CGU in the current period and evaluating and challenging management’s assessment of indicators of impairment and corroborating responses where appropriate, including: <ul style="list-style-type: none"> ○ Engaging our valuation specialist to assist with benchmarking and analysing the coal price assumptions, the discount rate and exchange rate applied against external data to determine whether they indicate that there has been a significant change with an adverse effect on the Group; and ○ Understanding and evaluating changes to estimated future operating and capital costs and coal reserve estimates to determine whether they indicate that there has been a significant change with an adverse effect on the Group. <p>We also assessed the appropriateness of the disclosures in notes 1(h), 3, 10 and 11 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in or pages 5 to 13 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Resource Generation Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 30 August 2017

Resource Generation Limited

Supplementary Information - Translation of financial information to the 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 to the 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:

	2017	2016
Cumulative average rate of exchange (A\$/Rand)	10.2461	10.5610
Closing rate of exchange (A\$/Rand)	10.0255	10.9930

Statements of comprehensive income - ZAR convenience translation (Supplementary Information) For the year ended 30 June 2017

	Consolidated	
	2017	2016
	R'000	R'000
Interest revenue	1,865	2,218
Other	5,912	729
	<u>7,777</u>	<u>2,947</u>
Administration, rent and corporate	(36,945)	(17,299)
Depreciation of property, plant and equipment	(3,965)	(3,527)
Employee benefits expense	(27,050)	(38,886)
Finance expenses	(31)	(232)
Share-based compensation (expense)/credit	(3,637)	20,129
Unrealised foreign exchange movements	43,618	(43,988)
Loss before income tax	<u>(20,234)</u>	<u>(80,856)</u>
Income tax benefit/(expense)	10	(11)
Loss from continuing operations	(20,224)	(80,867)
Loss for the year	<u>(20,224)</u>	<u>(80,867)</u>
Other comprehensive income/(loss)	139,840	(206,468)
Total comprehensive income/(loss)	<u>119,616</u>	<u>(287,335)</u>
Loss is attributable to:		
Owners of Resource Generation Limited	<u>(20,224)</u>	<u>(80,867)</u>
Total comprehensive income/(loss) for the year is attributable to:		
Owners of Resource Generation Limited	<u>119,616</u>	<u>(287,335)</u>
Loss per share for loss from continuing operations	Cents	Cents
Basic loss per share	(3.5)	(13.7)
Diluted loss per share	(3.5)	(13.7)

Resource Generation Limited

Balance Sheets - ZAR convenience translation (Supplementary Information) As at 30 June 2017

	Consolidated	
	2017 R'000	2016 R'000
Current assets		
Cash and cash equivalents	46,935	131,421
Trade and other receivables	1,704	1,605
Deposits and prepayments	1,805	1,913
	<u>50,444</u>	<u>134,939</u>
Non-current assets		
Property, plant and equipment	331,653	333,802
Mining tenements and mining development	1,540,685	1,414,184
Deposits and loan receivables	20,472	20,436
	<u>1,892,810</u>	<u>1,768,422</u>
TOTAL ASSETS	<u>1,943,254</u>	<u>1,903,361</u>
Current liabilities		
Trade and other payables	82,054	76,588
Provisions	3,008	1,979
Borrowings	126,973	42,730
	<u>212,035</u>	<u>121,297</u>
Non-current liabilities		
Provisions	21,805	21,799
Borrowings	342,019	392,758
Royalties payable	18,738	21,392
	<u>382,562</u>	<u>435,949</u>
TOTAL LIABILITIES	<u>594,597</u>	<u>557,246</u>
NET ASSETS	<u>1,348,657</u>	<u>1,346,115</u>
Equity		
Contributed equity	2,229,377	2,229,377
Reserves	(357,501)	(331,249)
Accumulated losses	(523,219)	(552,013)
	<u>1,348,657</u>	<u>1,346,115</u>
TOTAL EQUITY	<u>1,348,657</u>	<u>1,346,115</u>

Resource Generation Limited

Cash Flow Statements - ZAR convenience translation (Supplementary Information) For the year ended 30 June 2017

	Consolidated	
	2017 R'000	2016 R'000
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of government charges)	(43,824)	(56,702)
Interest received	1,865	2,218
Finance costs	(31)	(232)
Taxation refunds/(payments)	10	(11)
Net cash outflow from operating activities	(41,980)	(54,727)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,896)	(5,671)
Payments for mining tenements and mining development	(68,373)	(93,317)
Net cash outflow from investing activities	(70,269)	(98,988)
Cash flows from financing activities		
Repayment of borrowings	(28,669)	(20,436)
Drawdown of borrowings	69,981	-
Net cash inflow/(outflow) from financing activities	41,312	(20,436)
Net decrease in cash and cash equivalents	(70,937)	(174,151)
Cash and cash equivalents at the beginning of the year	131,421	267,609
Effects of exchange rate movements on cash and cash equivalents	(13,549)	37,963
Cash and cash equivalents at the end of the year	46,935	131,421

Foreign currency reserve movements represent a depreciation of the A\$ against the Rand of 8.8% (2016: 17.3% appreciation).

Resource Generation Limited

Coal Resources and Coal Reserves

1. Coal Mining Tenements

Type	Right Number	Holder	Interest	Area (km ²)
a) Mining Rights (Boikarabelo Coal Mine)				
Witkopje (Ledjadja #1)	169MR	Ledjadja Coal (Pty) Limited	74%	17
Draai Om (Ledjadja #2)	169MR	Ledjadja Coal (Pty) Limited	74%	11
Kalkpan (Ledjadja #3)	169MR	Ledjadja Coal (Pty) Limited	74%	13
Osorno (Ledjadja #4)	169MR	Ledjadja Coal (Pty) Limited	74%	11
Zeekoevley (Ledjadja #5)	169MR	Ledjadja Coal (Pty) Limited	74%	13
Vischpan (Ledjadja #6)	169MR	Ledjadja Coal (Pty) Limited	74%	12
Kruishout (Ledjadja #7)	169MR	Ledjadja Coal (Pty) Limited	74%	12
b) Prospecting Rights (Waterberg One Coal)				
Koert Louw Zyn Pan (Waterberg #1)	PR678/2007	Waterberg One Coal (Pty) Limited	74%	14
Lisbon (Waterberg #2)	PR720/2007	Waterberg One Coal (Pty) Limited	74%	8
Zoetfontein (Waterberg #3)	PR720/2007	Waterberg One Coal (Pty) Limited	74%	10

All of the rights listed above are located in the Waterberg region of South Africa.

The Mining Right Application for Waterberg #1, adjacent to Boikarabelo Coal Mine, was lodged at the end of 2015. Waterberg #1 encompasses the farm Koert Louw Zyn Pan (PR678/2007).

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo Coal Mine, contain minimal Coal Resources and have been excluded from the stated JORC Coal Resource.

2. Coal Resources Statement

	Inferred Resource	Indicated Resource	Measured Resource	2017 Total Resource	2016 Total Resource
	(Mt)	(Mt)	(Mt)	(Mt)	(Mt)
Ledjadja #1 S & Ledjadja #3 ⁽ⁱ⁾	-	84.0	910.8	994.8	664.2
Ledjadja #1 N & Ledjadja #2 ^{(ii); (iv)}	1,479.6	-	-	1,479.6	1,479.6
Waterberg #1 NE ^{(iii); (iv); (v)}	-	551.7	-	551.7	551.7
Waterberg #1 SW ^{(iii); (iv); (v)}	-	-	426.3	426.3	426.3
Total	1,479.6	635.7	1,337.1	3,452.4	3,121.8

(i) Determined by applying the JORC Code 2012

(ii) Determined by applying the JORC Code 2004; and relates to the Inferred Resources on Ledjadja #1 N & Ledjadja #2

(iii) Determined by applying the JORC Code 2004; and relates to the Measured and Indicated Resources on Waterberg #1 NE and #1 SW

(iv) This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

(v) The Coal Resources for Waterberg #1 will be subject to review and update under the JORC Code 2012 and will be released to the market once this review and update has been completed and approved.

Annual review

The Company confirms that on 30 June 2017 it has reviewed the JORC 2012 Mineral Resource Estimate as presented in this report and is not aware of any new information or data that materially affects the ASX announcement of 27 January 2017 'Statement of Coal Resources and Coal Reserves for Resource Generation Limited' and in the case of estimates that all material assumptions and technical parameters underpinning the Mineral Resource Estimate in that announcement continue to apply and have not materially changed as at 30 June 2017. The Company also confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the day of the ASX announcement.

Coal Resource governance

The Mineral Resources for the Group have been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition and The JORC Code, 2004). The governance and internal controls that were applied at that time were set out in the ASX Announcement of 27 January 2017.

Coal Resources and Coal Reserves

2. Coal Resources Statement (continued)

Competent Person's statement

Information in this report that relates to Exploration Results and Coal Resources for Ledjadja #1 S & Ledjadja #3 is based on information compiled by Mr Riaan Joubert, who is the Principal Geologist employed by Ledjadja Coal and is a member of a Recognised Overseas Professional Organisation. Mr Joubert has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Joubert has given and has not withdrawn consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Information in this report that relates to Exploration Results of Coal Resources for Ledjadja #1 N & Ledjadja #2, Waterberg #1 NE and Waterberg #1 SW is based on information compiled by Mr Dawie van Wyk, who is a Contract Geologist employed by Ledjadja Coal and is a member of a Recognised Overseas Professional Organisation. Mr van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Wyk has given and has not withdrawn consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

3. Coal Reserves Statement

	2017 Probable Reserve	2016 Probable Reserve
	(Mt)	(Mt)
Ledjadja #1 S & Ledjadja #3 ⁽ⁱ⁾	267.1	430.6
Waterberg #1 SW ⁽ⁱⁱ⁾	-	314.2
Total	267.1	744.8

(i) The 2017 Coal Reserves information for Ledjadja #1 S & Ledjadja #3 has been updated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, (The JORC Code, 2012 Edition). The reasons for the reduction in Coal Reserves for Ledjadja #1 S & Ledjadja #3 were set out in the ASX Announcement of 27 January 2017 and are further set out below under the heading "Coal Reserves".

(ii) The Coal Reserves for Waterberg #1 SW will be subject to review and update under the JORC Code 2012 and will be released to the market once this review and update has been completed and approved.

Coal Reserves

The Marketable Coal Reserves for Ledjadja #1 S & Ledjadja #3 have reduced from 430.6 million tonnes to 267.1 million tonnes and are now based on:

- * an export quality product with an average of 14% ash and an average 25.73 MJ/kg calorific value determined on an Air Dried (AD) basis; and
 - * a domestic power station product with an average 19.5 MJ/kg calorific value and an average 31.43 % ash determined on an AD basis.
- The export quality product has an average yield of 23.68% and the domestic power station product has an average yield of 19.61 %. This equates to an overall average yield of 43.3%.

The Marketable Coal Reserves for Waterberg #1 (determined in 2010 under JORC Code, 2004) have been downgraded to a Coal Resource level because the economic factors previously used became outdated as the Coal Reserve was still based on a single 18.5 MJ/kg product. The Company has put all its efforts in developing a new mine plan for Ledjadja #1 S & Ledjadja #3 based on a dual product and updated the Coal Reserve in December 2016. It was decided that until a new mine plan has been developed for Waterberg #1, based on similar economic factors and a dual product as used in Ledjadja #1 S & Ledjadja #3, it cannot be classified as a Coal Reserve. This new mine plan will be developed in due course and released to the market once the review and update has been completed and approved.

Competent Person's statements

Information in this report that relates to Coal Reserves for Ledjadja #1 S & Ledjadja #3 is based on information compiled by Mr Ben Bruwer, who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr Bruwer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bruwer has given and has not withdrawn consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Resource Generation Limited

Corporate directory

Directors

Denis Gately (Chairman)
Lulamile Xate (Deputy Chairman)
Rob Croll
Manish Dahiya
Colin Gilligan
Leapeetswe Molotsane
Dr Konji Sebati

Company Secretary

Michael Meintjes

Auditors

Deloitte Touche Tohmatsu
Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Australia

Bankers

St George Bank Limited
The Standard Bank of South Africa Limited
Barclays Bank Mauritius Limited

Registered Office

Level 1
17 Station Road
Indooroopilly QLD 4068
Australia
Telephone: +27 12 345 1057
Facsimile: +27 12 345 5314
Website: www.resgen.com.au

Principal Place of Business

Unit 2, Carrera House
15 Sovereign Drive
R21 Office Park
Irene 0157
South Africa

Stock Exchange Listing

Securities of Resource Generation Limited are listed on both the Australian Stock Exchange and the Johannesburg Stock Exchange.
ASX Code: RES
JSE Code: RSG

Share Registry

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000
Australia
Investor Enquiries: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Website: www.boardroomlimited.com.au

Transfer Secretaries

Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa
Investor Enquiries: +27 11 370 5000
Website: www.computershare.co.za

JSE Sponsor

Deloitte & Touche Sponsor Services (Pty) Limited
Building 8, Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton 2146
South Africa

Country of Incorporation

Australia