

# **RESOURCES & ENERGY GROUP LIMITED**



## **ANNUAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2018**

# Resources & Energy Group Limited

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# Resources & Energy Group Limited

## Corporate Directory

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### Directors

Gavin Rezos  
Richard Poole  
Virginia Bruce

### Secretary

Warren Kember

### Share Registry

Boardroom Pty Ltd  
Level 12, 255 George St,  
Sydney, NSW 2000  
Telephone 1300 737 760/ +(612) 9290 9600  
Email: enquiries@boardroomlimited.com.au

### Auditor

LNP Audit and Assurance Pty Limited  
Level 14, 309 Kent Street  
Sydney, NSW 2000

### Stock exchange listing

Resources & Energy Group Limited's fully paid ordinary shares are listed on the Australian Securities Exchange (ASX:REZ)

### Registered office and principal place of business

Level 33 Colonial Centre  
52 Martin Place  
Sydney, NSW 2000

Telephone +(612) 9227 8900  
Facsimile +(612) 9227 8901

ABN: 12 110 005 822  
Web site: [www.rezgroup.com.au](http://www.rezgroup.com.au)

### Solicitor

Steinepreis Paganin  
Level 4, 16 Milligan Street  
Perth, WA 6000

### Bankers

National Australia Bank  
255 George Street  
Sydney, NSW 2000

# Resources & Energy Group Limited

## Directors' Report

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The directors present their report together with the annual Financial Report of Resources & Energy Group Limited (Company) and its controlled entities (the Group or consolidated entity) for the year ended 30 June 2018 and the Independent Audit Report thereon.

### DIRECTORS

The details of directors of the Company at any time during or since the end of the financial year to the date of this report are set out below.

#### **Names, qualifications, experience and special responsibilities**

##### Mr Gavin Rezos

Bachelor of Laws, LLB, BA

Chairman, non-executive director, independent

Appointed: 22 April 2016

Completed years of service: 2 years

Mr Rezos has extensive Australian and international investment banking experience and is a former investment banking Director of HSBC Group with regional roles during his career in London, Sydney and Dubai. Mr Rezos has held chief executive officer positions and executive directorships of companies in the technology sector in Australia, the United Kingdom, the US and Singapore and was a non-executive director of Rowing Australia, the peak Olympics sports body for rowing in Australia from 2009 to 2014. He is currently the Non-Executive Chairman of Alexium International Group Limited and a principal of Viaticus Capital LLC. Non-executive director positions held during the past 3 years include Iluka Resources Limited and Department 13 International Limited.

##### Mr Richard Poole

Bachelor of Laws, Bachelor of Commerce, LLB, ASIA

Director and Chief Executive Officer, non-independent

Appointed: 12 July 2004

Completed years of service: 14 years

Mr Poole commenced his career as a lawyer specialising in mergers and acquisitions. He left the law in 1990 to build a research and development operation with operations in Japan, USA and Australia and added a manufacturing company in China in 1994. He successfully built the R&D company from its early stages to a public listed vehicle raising the necessary capital up to his departure in 1999. Since 1999 he has continued his involvement in fund raising and the development of companies. He is a principal of Arthur Phillip Pty Limited a corporate advisory firm providing investment services and he is an experienced corporate advisor and entrepreneur.

##### Ms Virginia Bruce

Non-executive director, independent

Appointed: 6 December 2004

Completed years of service: 13 years

Ms Bruce's international reputation was developed through her key role in developing International brand and business strategies for many Fortune 500 brands including Warner Bros, Mattel, Avon, Disney, Kelloggs, Audi, Volkswagen, Coca Cola, Network 7 including four back to back Olympics starting with the Sydney Olympic Games. She has worked extensively in the USA, Australia, Asia, China, Middle East and Europe, establishing business operations in all of these markets. Ms Bruce is currently the CEO of The REAL Group, which focuses on social development and mentoring programs.

# Resources & Energy Group Limited

## Directors' Report

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### Mr James Croser

Bachelor of Engineering

Director, non-independent

Appointed: 19 May 2016, Resigned: 16 October 2018

Completed years of service: 2 years

Mr Croser is a qualified mining engineer from the Western Australian School of Mines, with over 20 years mining experience in the Australian resource sector. Mr Croser has held operational, technical and management roles at numerous hard rock mines particularly in the Kalgoorlie region, including Silver Swan, Bullant, Daisy-Milano and Frog's Leg. He has recently been General Manager of a Perth based mining consultancy company and the Managing Director of ASX listed Kalgoorlie Mining Company Limited until its takeover in mid 2013. Mr Croser was the founding director of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited), which was acquired by the Group in March 2016.

### **Company Secretary**

### Mr Warren Kember

Bachelor of Commerce, MBA, Dip Applied Finance

Appointed: 8 August 2016

Completed years of service: 2 year

Mr Kember is the Chief Financial Officer and Company Secretary of the Group and is responsible for directing all financial, legal and risk management. Mr Kember has significant experience in executive finance having served as Chief Financial Officer for a number of ASX listed companies in the construction, mining and technology sectors.

### **Interests in the shares and options of the company and related bodies corporate**

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	<b>Number of Ordinary Shares</b>	<b>Number of Options over Ordinary Shares</b>
Mr Gavin Rezos	10,250,000	7,500,000
Mr Richard Poole	37,987,302	6,250,000
Ms Virginia Bruce	50,000	-

### **Directors' meetings**

The number of meetings of directors (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director were as follows:

	<b>Directors' meetings</b>	
	<b>Eligible to attend</b>	<b>Attended</b>
Mr Gavin Rezos	6	6
Mr Richard Poole	6	6
Ms Virginia Bruce	6	6
Mr James Crosser	6	6

# Resources & Energy Group Limited

## Directors' Report

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### DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend. (2017: \$Nil).

### PRINCIPAL ACTIVITIES

The principal activities of the Group are to explore and develop suitable mineral deposits, including gold and silver.

The Group had 5 employees at 30 June 2018 (2017: 2 employees).

### OPERATING RESULTS FOR THE YEAR

#### *Financial results*

The loss after tax of the Group for the year ended 30 June 2018 was \$3,431,387 (2017: \$1,415,567).

The operating loss included the following items:

- (i) a loss of \$1,528,440 from operations at the Radio Gold mine site;
- (ii) corporate maintenance and employment expenses by \$1,008,920 as activity in relation to the Radio mine and Mount Mackenzie projects increased, along with corporate financing and acquisition reviews;
- (iii) share based payment expense of \$40,589 relating to the issue of share options; and
- (iv) finance expense of \$611,670 relating to interest and amortisation expense of Project Development Notes.

During the year the Company raised equity and debt capital to facilitate the continuing development of the Radio mine in Western Australia. A further placement of Project Development Notes #2 (PDN2s) raised \$1,000,000 during the financial year. 7,142,857 new share options associated with the PDN2s provides the financiers with an opportunity to convert their loans into ordinary shares at 14 cents each on and from 30 November 2018 and expire on 30 November 2021. A loan of \$200,000 was also obtained from a financial institution.

#### *Radio Gold Pty Limited*

The Radio mine located in the Kalgoorlie region of Western Australia continued its development during the financial year. Following the dewatering of the mine shaft to 100m underground, clearance of previous mine workings was undertaken and bulk sampling of the exposed ore body undertaken. The sampling produced 246 ounces of gold which generated revenue of \$426,437 during the financial year, a yield of 5 grams/tonne of material processed. Work continued on development of a mine plan for the site along with a drilling program to determine the extent of the mineral resource.

#### *Mount Mackenzie*

The Mount Mackenzie project, located 110km northwest of Rockhampton, Queensland, under went further evaluation via a drilling program. The program focussed on strategically located exploration holes to confirm resource extents in the North Knoll, enabling mine planning studies to commence. Drilling included 110 metres of HQ3 core size, to provide samples of oxide, transitional and primary ore types. A scoping study to guide project feasibility is currently underway, which include assessment of environmental issues, mine planning and approvals, processing options and geotechnical assessment.

# Resources & Energy Group Limited

## Directors' Report

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### *Tenement Schedule*

Tenements held by the Group as of 30 June 2018 were as follows.

State	Project	Number	Status	REZ beneficial ownership	Expiry
Queensland	Mt Mackenzie	EPM10006	Live	100.00%	28/03/2023
Western Australia	Radio Gold	ML77/633	Live	100.00%	24/08/2036

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the financial year the following significant changes occurred. The Company undertook a number of capital raisings to facilitate development of its mining interests, these consisted of:

- the placement of PDN2 that raised \$1,000,000. An issue of 7,142,857 share options was also made concurrently to the providers of funds under PDN2; and
- drawing a loan of \$200,000 from a financial institution.

### **GOING CONCERN**

The directors have prepared financial statements on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. At 30 June 2018, the Group's current assets of \$177,281 (2017: \$741,866) were less than current liabilities of \$2,847,736 (2017: \$1,447,376).

Included in current liabilities is \$483,200 being the estimated current portion of unsecured interest bearing liabilities (project development notes), based on its repayment date of 3 years from the date of the advances and trade payables of \$1,675,614.

For the 12 months ended 30 June 2018 the Group reported a loss after taxation of \$3,431,387 (2017: \$1,415,567), and net cash used by operating activities was \$1,620,994 (2017: \$1,599,844).

During the current phase of development the generation of sufficient funds from operating and financing activities in accordance with the Group's current business plan and growth forecasts is dependent on one or more of the following matters being successfully realised:

- (i) the availability of equity and financing facilities to fund working capital requirements;
- (ii) realising value from its assets through joint ventures or outright sale;
- (iii) the ability for the directors to scale back activities in order to preserve cash when required; and
- (iv) continuing financial support from directors and related parties.

As at 30 June 2018, the Group had fully drawn upon existing loan facility agreements.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied regarding the Group's ability to maintain the continued financial support of its directors, current financiers, creditors and shareholders. This was demonstrated in May 2019 where certain financiers and creditors agreed to convert their debts to equity. Refer to significant events after balance date for further details.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

# Resources & Energy Group Limited

## Directors' Report

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### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 21 December 2019 the Company acquired 100% of the issued share capital of Menzies Goldfield Pty Limited (previously Menzies Goldfield Limited) for total consideration of \$2,100,000. The consideration consisted of the issue of 32,400,000 ordinary shares at a deemed issue price of 5 cents each, plus cash consideration of \$480,000.

Trading of the Company's ordinary shares on the Australian Stock Exchange has remained subject to a voluntary suspension while the Group conducted a financial restructure.

The Company placed 64,550,000 ordinary shares to participants in a capital raising at an issue price of 5 cents which raised a total of \$3,227,500 via a combination of cash and the settlement of contractual payments or other amounts.

The Company agreed to convert interest bearing debts and other amounts payable of \$5,346,411 into 107,218,225 ordinary shares issued at 5 cents each.

There have been no other significant events occurring after the balance date which may affect either the Group's operations, results of those operations or the Group's state of affairs.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Apart from the matters referred to above in the Operating Results for the year other likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the directors believe this could result in unreasonable prejudice to the Group.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

Exploration and development activities are subject to State and Federal laws and regulations. The Group has a policy of complying with its environmental performance obligations as a minimum, and during the reporting period, there has been no known breach of the environment regulations. The Group is committed to ensuring the activities of its business are conducted in a way so as to minimise adverse impacts on the environment and local communities.

### UNISSUED SHARES UNDER OPTIONS

There were 48,709,524 share options on issue as at 30 June 2018 that can convert to ordinary shares in the ratio of one fully paid ordinary share for each share option. No share options have been issued subsequent to the end of the financial year to the date of this report.

<b>Option class</b>	<b>Vesting conditions</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of share options</b>
Class C (i)	VWAP > 7 cents	10/04/2015	31/12/2018	\$0.05	1,000,000
Class D (i) (ii)	Referral of projects	9/11/2015	31/12/2019	\$0.12	1,000,000
Class E	na	22/04/2016	31/03/2021	\$0.12	18,566,667
Class F	na	20/06/2016	31/03/2021	\$0.12	5,000,000
Class G	Continuing service	20/06/2016	31/03/2021	\$0.12	2,500,000
Class H	na	6/12/2016	30/11/2021	\$0.14	11,000,000
Class I	Continuing service	6/12/2016	30/11/2021	\$0.12	250,000
Class J	Continuing service	6/12/2016	31/03/2021	\$0.14	250,000
Class K	na	10/11/2017	30/11/2021	\$0.14	7,142,857
Class L	Continuing service	18/12/2017	15/11/2021	\$0.14	1,000,000
Class M	Continuing service	18/12/2017	15/11/2021	\$0.14	1,000,000
<b>Share options on issue at 30 June 2018</b>					<b>48,709,524</b>

# Resources & Energy Group Limited

## Directors' Report

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- (i) Exercisable anytime from date of issue until expiry. Expired unexercised on 31 December 2018.
- (ii) Class D options have been valued at nil due to uncertainty as to whether vesting condition will be met.
- (iii) No shares were issued during the financial year as a result of the exercise of options.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No indemnities have been given or insurance premiums were paid during the financial year for any person who is or has been an officer or auditor of the Group. Subsequent to the end of the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Group against a liability incurred as such by a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is party for the purpose of taking responsibility for the company for all or any part of those proceedings. The Company and Group were not party to any such proceedings during the financial year.

### AUDITOR INDEPENDENCE

A copy of the external auditor's declaration under Section 370C of the Corporations Act in relation to the audit for the financial year is attached to the Financial Statements.

### NON-AUDIT SERVICES

No non-audit services were provided during the current year by the auditor.

### REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, including executive and non-executive directors.

During the financial year ended 30 June 2018, KMP consisted of:

Mr Gavin Rezos	Non-executive director and Chairman
Mr Richard Poole	Director and Chief Executive Officer
Ms Virginia Bruce	Non-executive director
Mr James Croser	Non-executive director (note: resigned 16 October 2018)
Mr Warren Kember	Chief Financial Officer and Company Secretary

# Resources & Energy Group Limited

## Directors' Report

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### ***Principles used to determine the nature and amount of remuneration***

In order for the Company and Group to prosper and enhance shareholder value, the Group must be able to attract and retain the highest calibre of executives. At this stage of the Group's development, a framework has not been developed that links performance and KMP remuneration. The responsibilities of the Remuneration Committee, which have been assumed by the full Board, include reviewing the remuneration of KMP and determining the nature and amount of emoluments of KMP on an annual basis. In conducting this review reference is made to market and industry conditions. Remuneration packages, can consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Where appropriate, share-based remuneration is provided to encourage KMP to focus on improving shareholder value and also to reduce cash costs during the Group's development phase.

The aggregate amount of non-executive director fees is limited to \$200,000 per annum as per a resolution of shareholders. For further information, please refer to our corporate governance plan and annual governance statement on our web site at [www.rezgroup.com.au](http://www.rezgroup.com.au).

### ***Short-term incentives and long-term incentives***

Due to the current size of the Group and the extent of its operations limited short-term incentives, such as performance based bonuses or longer term incentives, were provided to KMP other than as shown below.

### ***Details of remuneration***

Amounts paid or owing to KMP during the financial year ended 30 June 2018 are set out below.

<b>Year ended 30 June 2018</b>	<b>Short-term benefits Salary &amp; fees</b>	<b>Post employment Superannuation</b>	<b>Share-based payments Equity settled</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Mr Gavin Rezos	48,000	-	-	48,000
Mr Richard Poole	33,000	-	-	33,000
Ms Virginia Bruce	36,000	-	-	36,000
Mr James Croser (i)	150,355	10,547	-	160,902
Mr Warren Kember (ii)	-	-	-	-
	<b>267,355</b>	<b>10,547</b>	-	<b>277,902</b>

(i) Mr Croser resigned on 16 October 2018.

(ii) Remuneration forms part of the fees charged by a director related entity, Proprietary & Fiduciary Services Pty Limited. Details of the nature of the engagement and the amount of fees charged are provided in Note 20 of the financial statements.

# Resources & Energy Group Limited

## Directors' Report

Amounts paid or owing to KMP during the financial year ended 30 June 2017 are set out below.

Year ended 30 June 2017	Short-term benefits Salary & fees	Post employment Superannuation	Share-based payments Equity settled	Total
	\$	\$	\$	\$
Mr Gavin Rezos	48,000	-	-	48,000
Mr Richard Poole	33,000	-	-	33,000
Ms Virginia Bruce	36,000	-	-	36,000
Mr James Croser	200,000	19,000	-	219,000
Mr Michael Hogg	5,000	-	-	5,000
Mr Warren Kember	-	-	-	-
	<b>322,000</b>	<b>19,000</b>	<b>-</b>	<b>341,000</b>

The percentage of total remuneration provided in the form of share-based payments for all KMP for the current financial year was nil.

### Service agreements

The non-executive directors did not enter into any service agreements with the Group. The responsibilities of the Nomination Committee, which have been assumed by the full board, includes reviewing the appointment and retirement of Non-Executive Directors on a case by case basis. Currently all directors are required to be re-elected at least every three years and at least one-third of directors must retire at each Annual General Meeting.

The details of a service agreement entered into with the Chief Operating Officer are as follows:

Name	James Croser
Title	Director and Chief Operating Officer
Agreement commenced	11 April 2016 (as Chief Operating Officer)
Resigned	Resigned as Chief Operating Officer 15 December 2017
Term of agreement	No fixed term, termination by either party with 1 months notice
Short and long term incentives	No incentive arrangements have been agreed
Remuneration	\$200,000 plus superannuation per annum

### Share options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in the prior, current financial year or future reporting years are as follows:

Option class/Holder	Number of share options	Grant date	Expiry date	Exercise price	Fair value per option at grant date
Class F(i) Mr Gavin Rezos	5,000,000	20/06/2016	31/03/2021	\$0.12	\$155,210
Class G(ii) Mr Gavin Rezos	2,500,000	20/06/2016	31/03/2021	\$0.12	\$77,605
	<u>7,500,000</u>				<u>\$232,815</u>

(i) Earliest exercise date 31 March 2017

(ii) Earliest exercise date 31 March 2017

# Resources & Energy Group Limited

## Directors' Report

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The Share options were issued to Mr Rezos as an incentive upon joining the board of the Company. Share options carry no entitlement to dividends or right to vote. No share options were exercised, cancelled or lapsed during the current or prior financial year. No person entitled to exercise share options had or has any right by virtue of the options to participate in any share issue of any other body corporate.

### *Movements in Shares held by Key Management Personnel*

2018	Balance at the start of the year	Granted as compensation	Net other change	Balance at the end of the year
Mr Gavin Rezos	250,000	-	-	250,000
Mr Richard Poole	14,067,302	-	-	14,067,302
Ms Virginia Bruce	50,000	-	-	50,000
Mr James Croser (i)	3,597,022	-	-	3,597,022
Mr Warren Kember	-	-	-	-

(i) 3,597,022 ordinary shares were issued to Mr Croser pursuant to the acquisition of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited). Of these ordinary shares, 1,798,511 are subject to a performance condition as set out in Note 17 of the Financial Statements.

### *Movements in Share Options held by Key Management Personnel*

2018	Balance at the start of the year	Granted as compensation	Granted on subscription to loan	Net other change	Balance at the end of the year
Mr Gavin Rezos	7,500,000	-	-	4,166,667	11,666,667
Mr Richard Poole	6,250,000	-	-	-	6,250,000
Ms Virginia Bruce	-	-	-	-	-
Mr James Croser	-	-	-	-	-
Mr Warren Kember	-	-	-	-	-

### *End of remuneration report*

Signed in accordance with a resolution of the directors.



Mr Gavin Rezos  
Chairman  
Sydney, 17 May 2019

## Resources & Energy Group Limited Mineral Resources and Ore Reserves

Group mineral resources as at 30 June 2018 were estimated at 2.5 million tonnes at 1.54g/t Au for 128,700 ounces, an increase of 28,700 ounces with the inclusion of the mineral resources at the Radio mine. Mineral resource figures prepared in accordance with the requirements of 2012 Edition of the 'Australasian Code for Reporting of Exploration Results.

### Mineral Resources

Project	Type	Cut off (g/t)	Indicated					Inferred					Total				
			Tonnes (kt)	Gold grade (g/t)	Gold metal (koz)	Silver grade (g/t)	Silver metal (koz)	Tonnes (kt)	Gold grade (g/t)	Gold metal (koz)	Silver grade (g/t)	Silver metal (koz)	Tonnes (kt)	Gold grade (g/t)	Gold metal (koz)	Silver grade (g/t)	Silver metal (koz)
<b>30 June 2018</b>																	
Mount Mackenzie	Underground																
Oxide		0.43	450	1.18	17.0	9	130	520	1.18	20.00	4	67	970	1.18	37.0	7	197
Primary		0.58	700	1.42	32.0	14	315	700	1.37	31.00	5	112	1,400	1.39	63.0	9	427
Radio Gold	Underground																
Main Lode		1.00	25	3.81	3.2	-	-	76	3.47	8.50	-	-	101	3.55	11.7	7	197
East Lode		1.00	25	5.33	4.2	-	-	84	4.72	12.80	-	-	109	4.85	17.0	7	197
			<b>1,200</b>	<b>1.46</b>	<b>56.4</b>	<b>11</b>	<b>445</b>	<b>1,380</b>	<b>1.62</b>	<b>72.3</b>	<b>3</b>	<b>179</b>	<b>2,580</b>	<b>1.54</b>	<b>128.7</b>	<b>30</b>	<b>174</b>
<b>30 June 2017</b>																	
Mount Mackenzie	Underground																
Oxide		0.43	450	1.18	17	9	130	520	1.18	20	4	67	970	1.18	37	7	197
Primary		0.58	700	1.42	32	14	315	700	1.37	31	5	112	1,400	1.39	63	9	427
			<b>1,150</b>	<b>1.33</b>	<b>49</b>	<b>12</b>	<b>445</b>	<b>1,220</b>	<b>1.29</b>	<b>51</b>	<b>5</b>	<b>179</b>	<b>2,370</b>	<b>1.30</b>	<b>100</b>	<b>16</b>	<b>326</b>

### Competent Persons Statement and Consent

The information in this release that relates to mineral resources is based on and fairly represents information compiled by Mr. Michael Johnstone and Mr Todd Axford and who are members of the Australasian Institute of Mining and Metallurgy, and Principal Consultants for Minerva Geological Services (MGS) and Geko Co (GKC) respectively. MGS and GKC have been contracted by Resources & Energy Group Limited (the Company) to provide exploration management, advice and guidance to the company. Both Mr. Axford and Mr Johnstone have sufficient technical experience that is relevant to the reporting of exploration results 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. Axford and Mr Johnstone consent to the inclusion in this release of the matters based on their information in the form and context in which it appears.

This presentation contains information initially provided in releases made by the Company to the ASX on 26 February 2016 and 21 June 2016 concerning the Mt Mackenzie Resource and 3 July 2018 concerning Radio Gold. The Company is not aware of any new information or data that materially affects the information included in previous ASX announcements and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

**Resources & Energy Group Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2018**

	Notes	2018 \$	2017 \$
<b>Revenue from continuing operations</b>			
<b>Sales revenue</b>	<b>4(a)</b>	<b>426,437</b>	-
Cost of sales	<b>4(b)</b>	<b>(1,954,877)</b>	-
		<b>(1,528,440)</b>	-
Consulting fees		<b>(112,097)</b>	(39,511)
Legal costs		<b>(37,818)</b>	(37,014)
Corporation maintenance expenses		<b>(269,331)</b>	(294,897)
Director fees		<b>(161,862)</b>	(122,000)
Employee benefits expense	<b>4(c)</b>	<b>(427,812)</b>	(232,062)
Finance costs	<b>4(d)</b>	<b>(611,670)</b>	(311,026)
Depreciation		<b>(58,298)</b>	(38,763)
Share-based payments expense		<b>(40,589)</b>	(29,120)
Other expenses		<b>(183,470)</b>	(311,174)
		<b>(3,431,387)</b>	(1,415,567)
<b>Loss before income tax</b>		<b>(3,431,387)</b>	(1,415,567)
Income tax benefit	<b>5</b>	-	-
<b>Loss after tax from continuing operations</b>		<b>(3,431,387)</b>	(1,415,567)
Other comprehensive income		-	-
<b>Total comprehensive loss for the year attributable to the owners of Resources &amp; Energy Group Limited</b>		<b>(3,431,387)</b>	(1,415,567)
Total comprehensive loss is attributable to:			
- shareholders of Resource & Energy Group Limited		<b>(3,427,606)</b>	(1,394,379)
- non- controlling interests		<b>(3,781)</b>	(21,188)
		<b>(3,431,387)</b>	(1,415,567)
Loss per share (cents per share) – basic and diluted	<b>15</b>	<b>(3.53)</b>	(1.46)

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

**Resources & Energy Group Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2018**

	Notes	2018 \$	2017 \$
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	6	108,027	323,710
Trade and other receivables		49,254	298,156
Financial assets	7	20,000	120,000
<b>Total current assets</b>		<b>177,281</b>	<b>741,866</b>
<b>Non-current Assets</b>			
Property, plant and equipment	8	457,568	466,402
Exploration and evaluation assets	9	1,712,668	1,581,148
Mine development	10	3,659,784	3,033,147
<b>Total non-current assets</b>		<b>5,830,020</b>	<b>5,080,697</b>
<b>Total assets</b>		<b>6,007,301</b>	<b>5,822,563</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Trade and other payables		1,675,614	373,054
Interest-bearing loans and borrowings	11	1,151,646	1,043,067
Provisions	12	20,476	31,255
<b>Total current liabilities</b>		<b>2,847,736</b>	<b>1,447,376</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	11	3,476,615	2,086,865
Provisions	12	583,200	-
<b>Total non-current liabilities</b>		<b>4,059,815</b>	<b>2,086,865</b>
<b>Total liabilities</b>		<b>6,907,550</b>	<b>3,534,241</b>
<b>Net assets/(liabilities)</b>		<b>(900,249)</b>	<b>2,288,322</b>
<b><u>Equity</u></b>			
Issued capital	13	14,712,060	14,666,238
Reserves	14	1,575,267	1,378,273
Retained earnings		(19,556,412)	(16,128,806)
<b>Total equity attributable to the shareholders of Resources &amp; Energy Group Limited</b>		<b>(3,269,085)</b>	<b>(84,295)</b>
Non-controlling interests		2,368,836	2,372,617
<b>Total equity</b>		<b>(900,249)</b>	<b>2,288,322</b>

This consolidated statement of financial position should be read in conjunction with the notes to the financial statements

**Resources & Energy Group Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2018**

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		426,437	-
Payments to suppliers and employees		(2,028,236)	(1,514,640)
Interest paid		(19,727)	(93,779)
Interest received		532	8,575
<b>Net cash flows used in operating activities</b>	<b>6(b)</b>	<b>(1,620,994)</b>	<b>(1,599,844)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(47,225)	(420,540)
Exploration and evaluation costs capitalised		(131,520)	(668,620)
Mine development costs capitalised		(78,442)	(1,023,252)
Deposits		100,000	(20,000)
<b>Net cash flows used in investing activities</b>		<b>(157,188)</b>	<b>(2,132,412)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,409,000	3,123,500
Repayment of borrowings		(17,244)	-
Proceeds from borrowings - related party, net		170,743	4,779
<b>Net cash flows provided by financing activities</b>		<b>1,562,499</b>	<b>3,128,279</b>
Net decrease in cash and cash equivalents		(215,683)	(603,977)
Cash and cash equivalents at beginning of period		323,710	927,687
<b>Cash and cash equivalents at end of period</b>	<b>6(a)</b>	<b>108,027</b>	<b>323,710</b>

This consolidated statement of cash flow should be read in conjunction with the notes to the financial statements

## Resources & Energy Group Limited

### Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Issued capital	Share option reserve	Retained earnings	Non- controlling interests	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>14,666,238</b>	<b>450,384</b>	<b>(14,734,427)</b>	<b>2,393,805</b>	<b>2,776,000</b>
Total comprehensive income for the year			(1,394,379)	(21,188)	(1,415,567)
Issue of shares	-	-	-	-	-
Issue of options	-	29,120	-	-	29,120
Recognition of equity component on issue of project development notes	-	998,440	-	-	998,440
Capital raising cost	-	(99,671)	-	-	(99,671)
<b>Balance at 30 June 2017</b>	<b>14,666,238</b>	<b>1,378,273</b>	<b>(16,128,806)</b>	<b>2,372,617</b>	<b>2,288,322</b>
<b>Balance at 1 July 2017</b>	<b>14,666,238</b>	<b>1,378,273</b>	<b>(16,128,806)</b>	<b>2,372,617</b>	<b>2,288,322</b>
Total comprehensive income for the year	-	-	(3,427,606)	(3,781)	(3,431,387)
Issue of options	-	55,149	-	-	55,149
Cancellation of options	-	(14,560)	-	-	(14,560)
Transfer to equity on conversion of option:	45,822	(45,822)	-	-	-
Recognition of equity component on issue of project development notes	-	325,181	-	-	325,181
Capital raising cost	-	(122,954)	-	-	(122,954)
<b>Balance at 30 June 2018</b>	<b>14,712,060</b>	<b>1,575,267</b>	<b>(19,556,412)</b>	<b>2,368,836</b>	<b>(900,249)</b>

This consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### 1 Corporate information

Resources & Energy Group Limited (the "Company") is a listed public company incorporated and domiciled in Australia. The consolidated financial statements for the year ended 30 June 2018 comprise the Company and its controlled entities (together referred to as the "Group").

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

The consolidated financial statements were approved by the Board of Directors on 17 May 2019.

The principal accounting policies are set out below. These policies have been consistently applied unless otherwise noted.

#### 2 Summary of significant accounting policies

##### a Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit listed public entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements have been prepared on the basis of historical cost, except where assets or liabilities are measured at revalued amounts or 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. All amounts are presented in Australian dollars.

##### b Going concern

The directors have prepared financial statements on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. At 30 June 2018, the Group's current assets of \$177,281 (2017: \$741,866) were less than current liabilities of \$2,847,736 (2017: \$1,447,376).

Included in current liabilities is \$483,200 being the estimated current portion of unsecured interest bearing liabilities (project development notes), based on its repayment date of 3 years from the date of the advances and trade payables of \$1,675,614

For the 12 months ended 30 June 2018 the Group reported a loss after taxation of \$3,431,387 (2017: \$1,415,567), and net cash used by operating activities was \$1,620,994 (2017: \$1,599,844).

During the current phase of development the generation of sufficient funds from operating and financing activities in accordance with the Group's current business plan and growth forecasts is dependent on one or more of the following matters being successfully realised:

- (i) the availability of equity and financing facilities to fund working capital requirements;
- (ii) realising value from its assets through joint ventures or outright sale;
- (iii) the ability for the directors to scale back activities in order to preserve cash when required; and
- (iii) continuing financial support from directors and related parties.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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As at 30 June 2018, the Group had fully drawn upon existing loan facility agreements.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied regarding the Group's ability to maintain the continued support of current financiers, creditors and shareholders.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

#### **c Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

#### **d Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### e Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimate uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### *Carrying value of exploration, evaluation and development assets*

The Group capitalises expenditure relating to exploration, evaluation and mine development where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

The Group reclassifies exploration and evaluation expenditure to mine development assets when the Board assess that the mine has reached a point where it is certain that extraction of ore will commence in the immediate future.

Capitalised expenditure for exploration and evaluation is carried at the end of the reporting period at \$1,712,668 (2017: \$1,581,148). Capitalised expenditure for mine development is carried at the end of the reporting period at \$3,659,784 (2017: \$3,033,147).

#### *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. Each mine is considered to be a separate CGU. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next financial year and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance or the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### *Determination of mineral resources and ore reserves*

The Group estimates its Mineral Resources and Ore Reserves in accordance with the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code"). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented in the statement of Mineral Resources and Ore Reserves are determined under the JORC Code where information is available. When a resource or reserve amount prepared in accordance with the JORC Code for a particular mine is not available, then no amounts are disclosed. For the purposes of impairment testing of assets the Board applies JORC Code verified information when it is available, or otherwise management estimates of potential resources.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact depreciation and amortisation rates, asset carrying values and impairment assessments.

#### *Amortisation of mine development expenditure*

Mine development costs are amortised on a units of production basis over the life of the mine to which they relate and during the financial year costs of \$35,005 were amortised. In applying a units of production method, amortisation is calculated using the expected total contained ounces with the mine to achieve a consistent amortisation rate per ounce. To achieve this the amortisation rate is based on the ratio of the annual ounces produced over the expected total contained ounces.

#### *Going concern*

The financial statements have been prepared on the basis that the Group is a going concern, refer to Note 1(b) for discussion on the basis of this assumption.

#### *Equity component of converting loans*

The equity component that arises from the ability of loan providers to convert their loans into ordinary shares of the Company is calculated with reference to a market rate of interest. Due to the lack of a readily available debt market for the Company at its stage of development, an estimated market rate has been determined.

#### *Share based payments*

The costs of the share-based payments are calculated on the basis of the fair value of the equity instrument at grant date. During the financial year share based payments of \$40,589 was recognised. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. This assumes also the input into the valuation model of some relevant judgments, like the estimated expected life of the share option and the market volatility of the Company's ordinary shares.

The judgments made and the model used are further detailed in Note 17.

# Resources & Energy Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

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**f Revenue recognition**

Revenue from the sale of goods is recognised when there has been a transfer of the risks and rewards to the customers and no further processing is required by the Group, the quality and quantity of the goods has been determined with reasonable accuracy, the price is fixed or determinable and collectibility is probable.

Revenue is measured at fair value of the consideration received or receivable. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised when the right to receive the revenue has been established.

**g Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**h Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand, short-term deposits and highly liquid investments with a maturity of three months or less.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

**i Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

Other receivables are recognised at amortised cost, less any provision for impairment.

**j Financial Instruments - initial recognition and subsequent measurement**

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Resources & Energy Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

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### **(i) Financial assets**

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition based on the nature and purpose of a financial asset.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the income statement in finance costs for loans or other operating expenses for receivables.

### **(ii) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

### **(iii) Financial liabilities**

Financial liabilities are classified as trade and other payables, loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as, at fair value through profit or loss.

#### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### k Income tax

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### **l Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **m Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated using a combination of straight-line and diminishing-value basis over the estimated useful life of all assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Property, plant and equipment are depreciate over periods of three to five years.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### **n Exploration and evaluation expenditure**

Exploration and evaluation activity involves the search for mineral resources, including gold and copper, and includes:

- assessing all available geophysical data including gravity, magnetic and seismic and collation of additional data;
- exploratory drilling;
- determining and examining the volume and grade of the resource; and
- cost of acquisition of exploration tenements.

Administration costs that are not directly attributable to a specific exploration area are charged to the profit or loss. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Exploration and evaluation expenditure is capitalised in respect of each identifiable area of interest as the exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable gold deposits that are of sufficient scale to support the project concept.

As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indication of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. When production commences, the assets for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated exploration and evaluation expenditure in relation to an abandoned area are written-off in full in profit and loss in the period in which the decision of abandon the area is made.

#### **o Mine development expenditure**

Mine development costs include costs incurred in preparing and re-opening mine sites for production.

Mine development costs are amortised on a units of production basis over the life of the mine to which they relate. In applying a units of production method, amortisation is calculated using the expected total contained ounces within the mine to achieve a consistent amortisation rate per ounce. The amortisation rate is based on the ratio of the ounces produced annually over the expected total contained ounces.

#### **p Site restoration**

Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the requirements of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology.

Costs of site restoration are recognised in full at present value as a non-current liability. An equivalent amount is capitalised as part of the cost of the asset when an obligation arises to decommission or restore a site to a certain condition after abandonment as a result of bringing the assets to its present location. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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#### **q Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU's") fair value less costs to sell and its value-in-use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the income statement in expenses.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### **r Share-based payment transactions**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of either a binomial or Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

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Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date, with any changes in fair value recognised in profit or loss for the year.

**s Employee benefits provision**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other short-term employee benefits are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

**t 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, net of tax, from the proceeds.

**u Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

# Resources & Energy Group Limited

## Notes to the Financial Statements

### For the year ended 30 June 2018

**v New accounting standards for application in future periods**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 period. The Group has adopted all new standards and interpretations which became mandatorily effective during the period. There has been no significant impact on the reported financial position or performance of the Group on adoption.

Standard	Requirements	Impact
AASB 9 Financial Instruments and amending standards	This standard is effective for reporting period beginning on or after 1 January 2018. The Group will apply AASB 9 for the annual period beginning 1 July 2018. Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics test. All investment in equity instruments using AASB 9 are to be measured at fair value.	Based on the Groups's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.
AASB 15 Revenue from contracts with customers and amending standards	This standard is effective for reporting period beginning on or after 1 January 2018. The Group will apply AASB 15 for the annual period beginning 1 July 2018.  AASB 15 introduces a five- step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.	Adoption of this standards on 1 July 2018 did not have a material effect on the recognition and measurement of revenue.  However the Group will be required to provide additional disclosures in accordance with the 5-step process to state when its performance obligations are met.

# Resources & Energy Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

Standard	Requirements	Impact
AASB 2016 -5 Amendments to Australian Accounting Standards – Clarification and Measurement of Share Based Payments	<p>effective for reporting period beginning on or after 1 January 2018. The Group will apply these amendments for the annual period beginning 1 July 2018.</p> <p>AASB 2016 -5 addresses the accounting for the vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</p>	These changes will not have material impact on the Group.
AASB 16 Leases	<p>This standard is effective for reporting period beginning on or after 1 January 2019. The Group will apply AASB 16 for the annual period beginning 1 July 2019.</p> <p>The requirements of this standards will cause the majority of leases to be capitalised onto the statement of financial position. There are exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease.</p> <p>Mineral Extraction leases are not covered by this standard and continue to be accounted for under AASB 6 Exploration for and the Evaluation of Mineral Resources.</p>	It is expected that these changes will not have material impact on the Group.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**3 Segment information**

As at the date of this report, the Group has two operating segments: gold mine exploration and development and other activities (primarily corporate costs). A previous segment of geothermal mining has been discontinued. The Group has identified its operating segments based on internal reports that are reviewed and used by the chief operating decision maker in assessing performance. The accounting policies and amounts reported for internal reporting are consistent with the financial information in this financial report.

	<b>Gold</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2018</b>			
<b>Segment revenue</b>			
Revenue	426,437	-	426,437
	<u>426,437</u>	<u>-</u>	<u>426,437</u>
<b>Segment expenses</b>			
Mine operating costs	1,919,872	-	1,919,872
Depreciation, impairment and amortisation	58,298	-	58,298
Administration and employment costs	-	1,264,203	1,264,203
Finance costs (net interest income)	-	611,670	611,670
	<u>1,978,170</u>	<u>1,875,873</u>	<u>3,854,043</u>
Income tax benefit	-	-	-
Loss after tax from continuing operations	<u>(1,551,733)</u>	<u>(1,875,873)</u>	<u>(3,427,606)</u>
Segment assets	5,830,020	177,281	6,007,301
Segment liabilities	2,847,736	4,059,815	6,907,550
<b>2017</b>			
<b>Segment revenue</b>			
Interest income	-	8,575	8,575
<b>Segment expenses</b>			
Administration and employment costs	-	1,044,590	1,044,590
Depreciation, impairment and amortisation	37,426	1,337	38,763
Finance costs (net interest income)	-	319,601	319,601
	<u>37,426</u>	<u>1,365,528</u>	<u>1,402,954</u>
Income tax benefit	-	-	-
Loss after tax from continuing operations	<u>(37,426)</u>	<u>(1,356,953)</u>	<u>(1,394,379)</u>
Segment assets	5,080,697	741,866	5,822,563
Segment liabilities	1,447,376	2,086,865	3,534,241

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

	2018 \$	2017 \$
<b>4 Revenue and expenses</b>		
<b>(a) Revenue</b>		
Gold sales	<u>426,437</u>	-
<b>(b) Cost of sales</b>		
Mine operating costs	1,919,872	-
Depreciation and amortisation expense	<u>35,005</u>	-
	<u>1,954,877</u>	-
<b>(c) Employee benefits expense</b>		
Wages and salaries	316,933	213,065
Superannuation benefits	<u>110,879</u>	<u>18,997</u>
<b>Total employee benefits expense</b>	<u>427,812</u>	<u>232,062</u>
<b>(d) Finance costs</b>		
Interest expense - Project Development Notes	142,190	105,517
Project Development Notes - equity component amortisation	458,132	202,204
Interest expense - related party (refer Note 20)	11,880	11,880
Less: interest income	<u>(532)</u>	<u>(8,575)</u>
<b>Finance costs (net)</b>	<u>611,670</u>	<u>311,026</u>
<b>5 Income tax</b>		
Income tax expense - tax benefit written off	<u>-</u>	<u>-</u>

The Group has tax losses as at the 30 June 2018 of \$3,436,631 (2017: \$3,051,626). The benefit relating to these and the current year losses has not been recognised in the financial report at 30 June 2018 as it is not probable that future taxable profit will be available against which the Group would be able to utilise these losses.

Tax returns for the Group for the year ended 30 June 2018 are in progress at the date of this report.

Current and prior year tax losses will only be available to offset against future profits if:

(i) the Group and the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Group and the Company continue to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the Group and the Company in realising the benefit from the

The Company and its wholly owned entities have not formed a consolidated income tax group as of 30 June 2018.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

	2018 \$	2017 \$
<b>6 Cash and cash equivalents</b>		
(a) Cash and bank balances	<b>108,027</b>	323,710
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
<b>(b) Reconciliation from the net profit after tax to the net cash flows from operations</b>		
Loss from continuing operations after tax	<b>(3,431,387)</b>	(1,415,567)
<i>Adjustments for:</i>		
Depreciation and amortisation	<b>58,298</b>	38,763
Share-based payments	<b>40,589</b>	29,120
Project development notes - equity component amortisation	<b>458,132</b>	202,204
Project development notes - equity component of interest paid		(47,880)
Other	<b>7,677</b>	(17,414)
<i>Changes in operating assets and liabilities, net of effects from purchase of controlled entity</i>		
Decrease/(increase) in receivables	<b>(2,098)</b>	(285,109)
Decrease/(increase) in deposits	<b>100,000</b>	(20,000)
(Decrease)/increase in payables	<b>1,158,574</b>	(112,716)
(Decrease)/increase in other liabilities	<b>(10,779)</b>	28,755
Net cash used in operating activities	<b>(1,620,994)</b>	(1,599,844)
<b>7 Financial assets</b>		
Deposits	<b>20,000</b>	120,000

Deposits of \$20,000 (2017: \$100,000) are subject to a charge refer Note 18.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**8 Property, plant and equipment**

	Freehold land	Plant and equipment	Total
<b>At 30 June 2018</b>			
Cost	30,000	524,629	554,629
Accumulated depreciation	-	(97,061)	(97,061)
Net carrying amount	<b>30,000</b>	<b>427,568</b>	<b>457,568</b>

Movement in property, plant and equipment			
Carrying amount at the beginning of the year	30,000	436,402	466,402
Additions - other	-	49,464	49,464
Depreciation charge for the year	-	(58,298)	(58,298)
Carrying amount at the end of the year	<b>30,000</b>	<b>427,568</b>	<b>457,568</b>

	Freehold land	Plant and equipment	Total
<b>At 30 June 2017</b>			
Cost	30,000	477,404	507,404
Accumulated depreciation	-	(41,002)	(41,002)
Net carrying amount	<b>30,000</b>	<b>436,402</b>	<b>466,402</b>

Movement in property, plant and equipment			
Carrying amount at the beginning of the year	30,000	54,621	84,621
Additions - other	-	420,542	420,542
Depreciation charge for the year	-	(38,761)	(38,761)
Carrying amount at the end of the year	<b>30,000</b>	<b>436,402</b>	<b>466,402</b>

**9 Exploration and evaluation assets**

	Gold	Total
<b>At 30 June 2018</b>		
Cost	1,712,668	1,712,668
Accumulated depreciation and impairment	-	-
Net carrying amount	<b>1,712,668</b>	<b>1,712,668</b>

Movement in exploration and evaluation assets		
Carrying amount at the beginning of the year	1,581,148	1,581,148
Additions	131,520	131,520
Carrying amount at the end of the year	<b>1,712,668</b>	<b>1,712,668</b>

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

	Gold	Total
At 30 June 2017		
Cost	1,581,148	1,581,148
Accumulated depreciation and impairment	-	-
Net carrying amount	<u>1,581,148</u>	<u>1,581,148</u>
Movement in exploration and evaluation assets		
Carrying amount at the beginning of the year	2,922,421	2,922,421
Additions	1,691,874	1,691,874
Reclassification to mine development expenditure (Note 10)	(3,033,147)	(3,033,147)
Carrying amount at the end of the year	<u>1,581,148</u>	<u>1,581,148</u>

Exploration licenses are carried at cost of acquisition less impairment losses. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The recoverable amount of development expenditure is determined as the higher of its fair value less costs to sell and its value in use.

**10 Mine development assets**

	Gold	Total
<b>At 30 June 2018</b>		
Cost	<b>3,694,789</b>	<b>3,694,789</b>
Accumulated amortisation and impairment	<b>(35,005)</b>	<b>(35,005)</b>
Net carrying amount	<u><b>3,659,784</b></u>	<u><b>3,659,784</b></u>
Movement in exploration and evaluation assets		
Carrying amount at the beginning of the year	<b>3,033,147</b>	<b>3,033,147</b>
Additions	<b>78,442</b>	<b>78,442</b>
Recognition of mine rehabilitation liability	<b>583,200</b>	<b>583,200</b>
Amortisation charge for the year	<b>(35,005)</b>	<b>(35,005)</b>
Carrying amount at the end of the year	<u><b>3,659,784</b></u>	<u><b>3,659,784</b></u>
	Gold	Total
<b>At 30 June 2017</b>		
Cost	3,033,147	3,033,147
Accumulated amortisation and impairment	-	-
Net carrying amount	<u>3,033,147</u>	<u>3,033,147</u>
Movement in exploration and evaluation assets		
Carrying amount at the beginning of the year	-	-
Reclassification from exploration and development expenditure (Note 9)	3,033,147	3,033,147
Carrying amount at the end of the year	<u>3,033,147</u>	<u>3,033,147</u>

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**11 Interest-bearing loans and borrowings**

	2018 \$	2017 \$
<b>Current - unsecured</b>		
Borrowings - related party (i)	485,690	303,067
Borrowings - project development notes issue 1 (ii)	483,200	740,000
Borrowings - other (iv)	182,756	-
	<b>1,151,646</b>	<b>1,043,067</b>
<b>Non-current - unsecured</b>		
Borrowings - project development notes issue 1 (ii)	1,449,599	968,029
Borrowings - project development notes issue 2 (iii)	2,027,016	1,118,836
	<b>3,476,615</b>	<b>2,086,865</b>

**(i) Borrowings - related party**

Advances by director related entities are interest free other than a balance of \$144,000 which has an interest rate of 8.25% (refer Note 19). All balances are unsecured and repayable on demand.

**(ii) Project Development Notes Issue 1**

The facility was provided by private financiers (Financiers) and, once the final amount owing is received, is fully drawn to its committed limit of \$2,228,000. Interest is payable quarterly at the rate of 8.0% per annum.

Any PDN1 borrowing not repaid by the exercise of the attaching option and application of the exercise price to the repayment (refer below) is required to be repaid at the earlier of either at the end of 3 years from the date of draw down of each advance, or in repayments equal to 50% of the Company's positive pre-tax cash from operations (each quarter) until balance owed under the PDN1s and any outstanding interest is repaid in full.

The Company issued 18,566,667 share options concurrently with the initial draw down under PDN1 to the Financiers. The share options provide Financiers with the right to subscribe for ordinary shares of the Company (PDN1 Options). As a result the net proceeds received from the issue of the PDN1s have been split between a liability and an equity component. The equity component represents the value of the option to convert the liability into equity of the Company.

The terms of the PDN1 Options are as follows:

- (i) Right to subscribe: The Financiers have the right to subscribe for one fully paid ordinary share of the Company for each share option held at an issue price of 12 cents each anytime after 31 March 2017 and until the expiry of the share options on 31 March 2021.
- (ii) Right of offset: At the election of the Financiers any amounts owed under the PDNs may be applied either in part or whole to the exercise price owed on issue of the ordinary shares.
- (iii) Number of ordinary shares to be issued: If all of the PDN1 Options are exercised a maximum of 18,566,667 fully paid ordinary shares of the Company would be issued.
- (iv) Right to acquire: Within 6 months prior to the expiry date of the PDN Options of 31 March 2021, the Company may seek to acquire the PDN1 Options from the Financiers at a volume weighted average price calculated for a 1 month period ending 3 days before the election notice is provided to the Financiers.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

- (v) Cancellation of options: If a Financier fails to provide funding pursuant to the PDN1s any unexercised PDN1 Options held by that Financier can be cancelled at the election of the Company.

**(iii) Project Development Notes - Issue 2**

Project Development Note facility (PDN2) is provided by a private financier (PDN2 Financier) and has a committed limit of \$2,540,000 which has been fully drawn. An amount of \$1,000,000 was drawn under PDN2 during the financial year. Interest is payable quarterly at the rate of 8.0% per annum.

Any PDN2s not repaid by exercise of the attached option and application of the exercise price to repayment (refer below) are repaid either at the end of 3 years from the date of draw down of each advance, or subsequent to repayment of amounts owed under PDN1 in repayments equal to 50% of the Company's positive pre-tax cash from operations (each quarter) until balance owed under the PDN2 and any outstanding interest is repaid in full.

The Company issued 11,000,000 share options concurrently with the PDN2 to the PDN2 Financier whereby the PDN2 Financier has the right to subscribe for ordinary shares of the Company (PDN2 Options). As a result the net proceeds received from the issue of the PDN2 have been split between a liability and an equity component. The equity component represents the value of the option to convert the liability into equity of the Company.

The terms of the PDN2 Options are as follows:

- (i) Right to subscribe: The PDN2 Financier has the right to subscribe for one fully paid ordinary share of the Company for each share option held at an issue price of 14 cents each anytime from 30 November 2017 and until the expiry of the share options on 30 November 2021.
- (ii) Right of offset: At the election of the PDN2 Financier any amounts owed under the PDN2s may be applied either in part or whole to the exercise price owed on issue of the ordinary shares.
- (iii) Number of ordinary shares to be issued: If all of the PDN2 Options are exercised a maximum of 11,000,000 fully paid ordinary shares of the Company would be issued.
- (iv) Right to acquire: Within 6 months prior to the expiry date of the PDN2 Options of 30 November 2021, the Company may seek to acquire the PDN2 Options from the PDN2 Financier at a volume weighted average price calculated for a 1 month period ending 3 days before the election notice is provided to the PDN2 Financier.
- (v) Cancellation of options: If the PDN2 Financier fails to provide funding pursuant to the PDN2s any unexercised PDN2 Options can be cancelled at the election of the Company.

**(iv) Borrowings - Other**

Other borrowings are repayable by 16 May 2019. Interest is payable monthly at a rate of 12% per annum.

**12 Provisions**

	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
Current		
Employee entitlements	<b>20,476</b>	31,255
Non-Current		
Rehabilitation provision	<b>583,200</b>	-
<b>Total provisions</b>	<b>603,676</b>	31,255

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

*Movement in provisions*

	Employee benefits	Rehabilitation	Total
<b>At 30 June 2018</b>			
Carrying amount at the beginning of the year	31,255	-	31,255
Remeasurement of provision	(10,779)	583,200	572,421
Carrying amount at the end of the year	20,476	583,200	603,676
<b>At 30 June 2017</b>			
Carrying amount at the beginning of the year	2,500	-	2,500
Remeasurement of provision	28,755	-	28,755
Carrying amount at the end of the year	31,255	-	31,255

**13 Issued capital**

	2018 \$	2017 \$
98,143,845 fully paid ordinary shares (2017: 95,682,306) (i)	<b>14,712,060</b>	14,666,238

Movements in fully paid ordinary shares

	2018		2017	
	\$/share	Number	\$/share	Number
Balance at the beginning of the financial year		<b>95,682,306</b>	14,666,238	14,666,238
Cashless conversion of Class A options into ordinary shares 18 November 2017		<b>1,230,769</b>	-	-
Cashless conversion of Class B options into ordinary shares 17 January 2018		<b>1,230,770</b>	-	-
Balance at the end of the financial year		<b>98,143,845</b>	95,682,306	14,666,238

- (i) During a prior financial year 15,000,000 ordinary shares were issued as partial consideration for the acquisition of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited). 7,500,000 ordinary shares remain subject to a performance condition relating to the Radio Gold mine (owned by Radio Gold Pty Limited) whereby a minimum net positive cash flow of \$1 million must be achieved within 24 months of commencing operations. If this condition is not achieved then the Company has the right to repurchase the shares subject to the performance condition at a nominal sum.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**14 Reserves**

	2018	2017
	\$	\$
<b>Share option reserve</b>		
Balance at the beginning of the financial year	1,378,273	450,384
Share based payment	55,149	29,120
Cancellation of options	(14,560)	-
Transfer to equity on conversion of options	(45,822)	-
Recognition of equity component on issue of project development notes, net of costs (ii)	325,181	898,769
Capital raising cost	(122,954)	-
Balance at the end of the financial year	<u>1,575,267</u>	<u>1,378,273</u>

- (i) Reserve arises on the issue of options in payment for services or fees. Further information on options issued is shown in Note 17 to the financial statements.
- (ii) Equity component on the issue of project development notes represents the equity component of the conversion rights as detailed in Note 11.

**15 Asset backing and earnings per share**

	2018	2017
	cents per share	cents per share
Basic and diluted earnings per share (continuing operations) (cents per share)	<u>(3.53)</u>	<u>(1.46)</u>
Basic and diluted assets per share (continuing operations) (cents per share)	<u>(0.93)</u>	<u>2.39</u>
The following reflects the income and share data used in the basic and diluted earnings per share calculations:		
	2018	2017
	\$	\$
Loss attributable to shareholders of the Company used in the calculation of basic and diluted earnings per share	<u>(3,427,606)</u>	<u>(1,394,379)</u>
Weighted average number of ordinary shares for basic earnings per share	96,990,631	95,682,306
Effect of dilution of share options on issue (i)	1,000,000	5,000,000
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>97,990,631</u>	<u>100,682,306</u>

- (i) Share options on issue that have been assessed as being dilutive for the purpose of calculating earnings per share have been excluded from the calculation of earnings per share as the Group has incurred a loss after tax. In that circumstance the inclusion of share options would reduce the earnings per share (loss) and present a misleading result.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**16 Financial instruments**

**(a) Financial risk management objectives**

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, convertible instruments and derivatives. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The directors consider that the limited risks mean there is no need to enter into risk management strategies involving derivative instruments.

The Group is exposed to credit risk, liquidity risk and interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The Group manages liquidity risk by a combination of maintaining cash reserves, banking facilities and continuously monitoring forecast and actual cash flows. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Risks are managed through sensitivity analysis to model the impact of changes upon the Group's profits.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of 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.

**(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

**(c) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

**(d) Categories of financial instruments**

The following table details the carrying amounts and fair values of the Group's financial assets and financial liabilities. The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values.

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	6	<b>108,027</b>	323,710
Trade and other receivables		<b>49,254</b>	298,156
		<b>157,281</b>	621,866

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>Financial liabilities</b>			
Liabilities measured at amortised cost:			
Trade and other payables		1,675,614	373,054
Borrowings - related parties		1,151,646	303,067
Liabilities measured at fair value - Level 3 (i)			
Borrowings - project development notes	11	3,959,814	2,826,865
		<b>5,635,428</b>	<b>3,502,986</b>

(i) Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 - fair value measurements are those derived from quoted sources (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset of liability that are not based on observable market data (unobservable inputs).

The fair value of derivative instruments is significantly affected by movements in interest rates. Sensitivity of the valuation of the derivative liabilities to changes in these factors is shown below at item (j).

**(e) Credit risk exposures**

Credit risk arises principally from the Group's receivables and cash and bank balances. Credit risk is kept continually under review and managed to reduce the incidence of material losses being incurred by the non-receipt of monies due. The Group's financial assets include trade and other receivables and loans to related entities.

The maximum exposure to credit risk on financial assets of the Group which has been recognised on the balance sheets is generally the carrying amount, net of any provisions for doubtful debts. The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. The Group's financial assets are limited to credit risk exposures to Australia on a geographical basis. Trade and other receivables that are neither past due nor impaired are limited to a few counterparties which are considered credit worthy.

2018	Contractual				
	Interest rates	repayment amount	6mths or less	6-12 mths	1-5 years
Cash and cash equivalents	2.0%	108,027	108,027	-	-
Receivables	na	49,254	49,254	-	-

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

2017		Contractual repayment amount	6mths or less	6-12 mths	1-5 years
Cash and cash equivalents	2.0%	323,710	323,710	-	-
Receivables	na	298,156	298,156	-	-

**(f) Liquidity risk management**

The board has put in place liquidity risk management policies for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a combination of:

- continuously monitoring forecast and actual cash flows;
- having in place loan facilities structured to grow as the size of the business increases; and
- arranging issues of securities as required.

To the extent possible maturity profiles of financial assets and liabilities are matched.

The board reviews the capital structure on a regular basis. The board does not have a set debt level target however the level of borrowings is in line with expectations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes principal and interest cash flows at the face value of the amount owing and therefore the figures differ from those shown in the financial statements.

2018	Interest rate	Contractual repayment amount	Less than 1 year	1-5 years
Trade payables	-	1,675,614	1,675,614	-
Borrowings - other (fixed rate)	8%-12%	5,190,252	912,364	4,277,888
Borrowings - related parties (variable rate)	8.25%	491,630	491,630	-
		<b>7,357,497</b>	<b>3,079,608</b>	<b>4,277,888</b>
2017	Interest rate	Contractual repayment amount	Less than 1 year	1-5 years
Trade payables	-	373,054	373,054	-
Borrowings - other (fixed rate)	8.00%	4,386,674	982,240	3,404,434
Borrowings - related parties (variable rate)	8.25%	309,007	309,007	-
		<b>5,068,735</b>	<b>1,664,301</b>	<b>3,404,434</b>

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

The table below reflects an undiscounted view of the contractual maturity for financial liabilities and cash flows expected to be realised from financial assets. Actual timing may differ from that disclosed. The timing of the cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Within 1 Year		1 to 5 Year		Total	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Group financial liabilities due for payment						
Trade payables	<b>1,675,614</b>	373,054	-	-	<b>1,675,614</b>	373,054
Borrowings - fixed rate	<b>912,364</b>	982,240	<b>4,277,888</b>	3,404,434	<b>5,190,252</b>	4,386,674
Borrowings - related	<b>491,630</b>	309,007	-	-	<b>491,630</b>	309,007
Total contractual and expected outflows	<b>3,079,608</b>	1,664,301	<b>4,277,888</b>	3,404,434	<b>7,357,496</b>	5,068,735
Group financial assets - cash flows realisable						
Cash and cash	<b>108,027</b>	323,710	-	-	<b>108,027</b>	323,710
Receivables	<b>49,254</b>	298,156	-	-	<b>49,254</b>	298,156
Total anticipated inflows	<b>157,281</b>	621,866	-	-	<b>157,281</b>	621,866
Net outflow/(inflows)	<b>2,922,327</b>	1,042,435	<b>4,277,888</b>	3,404,434	<b>7,200,215</b>	4,446,869

**(g) Interest rate risk**

The Group has borrowed funds at fixed rate of interest and therefore currently has limited exposure to movements in interest rates.

**(h) Foreign currency risk**

At its current stage of development the Group is indirectly exposed to foreign currency risk, in respect of the market price for gold which is based in US dollars.

**(i) Commodity price risk**

At its current stage of development the Group is indirectly exposed to commodity price risk, in respect of the market price for gold.

**(j) Sensitivity analysis of risk factors**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

At 30 June 2018, the effect on profit and equity as a result of changes in interest rates, with all other variables remaining constant, would not have a material impact.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**17 Share-based payments**

The Company has the following share options outstanding under share based plans:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the financial year	44,066,667	\$0.117	32,066,667	\$0.109
Granted	7,142,857	\$0.140	11,000,000	\$0.140
Granted	2,000,000	\$0.140	500,000	\$0.120
Granted	-	\$0.140	500,000	\$0.140
Converted to ordinary shares	(4,000,000)	\$0.050		
Cancelled	(250,000)	\$0.120		
Cancelled	(250,000)	\$0.140		
<b>Balance at the end of the financial year</b>	<b>48,709,524</b>	<b>\$0.127</b>	44,066,667	\$0.117
<b>Exercisable at the end of the financial year</b>	<b>39,316,667</b>	<b>\$0.124</b>	32,066,667	\$0.109

No options expired or were exercised during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices

Class	Vesting Conditions	Grant date	Expiry date	Exercise price	Number of share options 2018	Number of share options 2017
Class A	Converted during the financial year				-	2,000,000
Class B	Converted during the financial year				-	2,000,000
Class C	VWAP > 7 cents	10/04/2015	31/12/2018	\$0.05	1,000,000	1,000,000
Class D	Referral of projects	9/11/2015	31/12/2019	\$0.12	1,000,000	1,000,000
Class E	na	22/04/2016	31/03/2021	\$0.12	18,566,667	18,566,667
Class F	na	20/06/2016	31/03/2021	\$0.12	5,000,000	5,000,000
Class G	Continuing service	20/06/2016	31/03/2021	\$0.12	2,500,000	2,500,000
Class H	na	6/12/2016	30/11/2021	\$0.14	11,000,000	11,000,000
Class I	Continuing service	6/12/2016	30/11/2021	\$0.12	250,000	500,000
Class J	Continuing service	6/12/2016	31/03/2021	\$0.14	250,000	500,000
Class K	na	10/11/2017	30/11/2021	\$0.14	7,142,857	-
Class L	Continuing service	18/12/2017	15/11/2021	\$0.14	1,000,000	-
Class M	Continuing service	18/12/2017	15/11/2021	\$0.14	1,000,000	-
					<b>48,709,524</b>	44,066,667

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

Details of share options granted during the year:

	Class K (i)	Class L	Class M
Grant date	10/11/2017	18/12/2017	18/12/2017
Expiry date	30/11/2021	15/11/2021	15/11/2021
Exercisable from	30/11/2018	18/12/2018	18/12/2019
Exercise price	\$0.14	\$0.14	\$0.14
Number of options issued	7,142,857	1,000,000	1,000,000
Fair value at grant date		27,575	27,575
Fair value at grant date per option		\$0.028	\$0.028
Vesting conditions	na	Continuing service	Continuing service

(i) Issue of share options pursuant to the Project Development Note Facility - Issue 2 (Note 11)

The fair values of the share options granted during the financial year were determined using the following parameters:

		Class K (i)	Class L	Class M
Expected volatility of ordinary shares	%		50%-65%	50%-65%
Risk free interest rate	%		1.50%	1.50%
Underlying share price at valuation date	\$/share		\$0.13	\$0.13
Weighted average life of option	years		5.0	5.0
Weighted average exercise price	\$/share		\$0.14	\$0.14
Valuation method			Black-scholes	Black-scholes

Details of share options granted during the prior year:

	Class H (i)	Class I	Class J
Grant date	6/12/2016	6/12/2016	6/12/2016
Expiry date	30/11/2021	31/03/2021	31/03/2021
Exercisable from	30/11/2017	6/12/2017	6/12/2017
Exercise price	\$0.14	\$0.12	\$0.14
Number of options issued	11,000,000	500,000	500,000
Fair value at grant date		15,258	13,862
Fair value at grant date per option		\$0.031	\$0.028
Vesting conditions	na	Continuing service	Continuing service

(i) Issue of share options pursuant to the Project Development Note Facility (Note 11)

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

The fair values of the share options were determined using the following parameters:

		Class H (i)	Class I	Class J
Expected volatility of ordinary shares	%	50%-65%	50%-65%	50%-65%
Risk free interest rate	%	2.00%	2.00%	2.00%
Underlying share price at valuation date	\$/share	\$0.12	\$0.12	\$0.12
Weighted average life of option	years	5.0	4.3	4.3
Weighted average exercise price	\$/share	\$0.14	\$0.12	\$0.14
Valuation method		Black-scholes	Black-scholes	Black-scholes

**18 Contingent liabilities**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Bank guarantees</b>	<b>20,000</b>	120,000

Bank guarantees are issued on behalf of the Group by its bankers. The guarantees provide that the financier will honour the Group's obligations under specific agreements and are secured against monies held on deposit of \$20,000 (2017: \$120,000) (refer Note 7). No material losses are expected.

There are no other contingent liabilities as at 2018 (2017: nil)

**19 Tenement lease commitments**

	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<i>Minimum expenditure commitment on tenement leases</i>		
The Group held three exploration mineral licences in relation to the Mount Mackenzie Mine and three exploration mineral licences in relation to the Radio mine as at 30 June 2018.		
Committed but not provided for and payable:		
Within one year	<b>264,538</b>	815,281
One year or later and no later than for five years	<b>1,428,613</b>	1,410,619
	<b>1,693,150</b>	2,225,900

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**20 Key management personnel disclosures**

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel consists of the directors of the Company and senior management of the Group as defined in the Remuneration Report section of the Directors' Report.

**(a) Compensation of Key Management Personnel**

The aggregate compensation made to key management personnel of the Group is set out below (i). The remuneration shown includes all amounts incurred for the year. Further details of the compensation of key management personnel is contained in the Directors' Report in the Remuneration Report section.

(i) Mr Kember was appointed on 8 August 2016 and his remuneration forms part of the fees charged by a director related entity, Proprietary & Fiduciary Services Pty Limited. Details of the nature of the engagement and the amount of fees charged are provided below.

	<b>2018</b>	2017
	<b>\$</b>	\$
Short-term	<b>267,355</b>	322,000
Post employment	<b>10,547</b>	19,000
	<b>277,902</b>	341,000

**(b) Shareholdings**

The number of ordinary shares in the Company held during the financial year by each director of the Company and senior management of the Group, including their personally related parties, are set out below.

<b>2018</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Net other change</b>	<b>Balance at the end of the year</b>
Mr Gavin Rezos	250,000	-	-	250,000
Mr Richard Poole	14,067,302	-	-	14,067,302
Ms Virginia Bruce	50,000	-	-	50,000
Mr James Croser (i)	3,597,022	-	-	3,597,022
Mr Warren Kember	-	-	-	-
<b>2017</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Net other change</b>	<b>Balance at the end of the year</b>
Mr Gavin Rezos	250,000	-	-	250,000
Mr Richard Poole	12,742,729	-	1,324,573	14,067,302
Ms Virginia Bruce	50,000	-	-	50,000
Mr James Croser (i)	3,597,022	-	-	3,597,022
Mr Warren Kember	-	-	-	-

(i) 3,597,022 ordinary shares were issued to Mr Croser pursuant to the acquisition of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited). Of these ordinary shares, 1,798,511 are subject to a performance condition as set out in Note 12.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

**(b) Share option holdings**

The number of share options in the Company held during the financial year by each director of the Company and senior management of the Group, including their personally related parties, are set out below.

Details of share options granted during the year are provided at Note 17

<b>2018</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Granted on subscription to loan</b>	<b>Net other change</b>	<b>Balance at the end of the year</b>
Mr Gavin Rezos	7,500,000	-	-	4,166,667	11,666,667
Mr Richard Poole	6,250,000	-	-	-	6,250,000
Ms Virginia Bruce	-	-	-	-	-
Mr James Croser	-	-	-	-	-
Mr Warren Kember	-	-	-	-	-

  

<b>2017</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Granted on subscription to loan</b>	<b>Net other change</b>	<b>Balance at the end of the year</b>
Mr Gavin Rezos	7,500,000	-	-	-	7,500,000
Mr Richard Poole	6,250,000	-	-	-	6,250,000
Ms Virginia Bruce	-	-	-	-	-
Mr James Croser	-	-	-	-	-
Mr Warren Kember	-	-	-	-	-

**(c) Other transactions with key management personnel**

**Richard Poole**

Transactions with, or with persons or entities associated with, Mr Richard Poole, a director and the chief executive officer of the Company, during the financial year were as follows:

The Company has provided a Corporate Advisory and Business Development Mandate (Agreement) to Proprietary & Fiduciary Services Pty Limited (formerly Arthur Phillip Pty Limited, PFS), an entity ultimately controlled by interests associated with Mr Poole. The Agreement provides for the payment of fees for the raising of debt or equity capital and the charging of costs associated with the administration of the Group.

During the financial year PFS was entitled to the following fees and expenses relating to the provision of management, accounting, office administration, consulting and company secretarial services to the Company, amounting to \$302,168 (2017: \$272,520).

An amount of \$285,822 of these fees and expenses remained unpaid as at 2018 and is included in Trade and Other Payables (2017: \$49,500).

A related party of Mr Richard Poole advanced \$144,000 to the Group in a prior year. The unsecured borrowing bears annual interest at 8.25% and an expense of \$11,880 (2017: \$11,880) (refer Note 4(c)) was incurred during the financial year.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

An amount of \$303,067 was advanced in a prior year for working capital. During the financial year this balance was increased by a net amount of \$182,623 and as at the end of the financial year a total of \$485,690 remained outstanding. The loan is interest free, unsecured and repayable on demand.

During the prior financial year a related party of Mr Richard Poole advanced \$750,000 to the Group pursuant to the Project Development Notes 1 (refer Note 11). The amount bears annual interest at 8.0% and an expense of \$60,000 (2017: \$29,152) was incurred during the financial year.

**21 Related party disclosures**

The consolidated financial statements include the financial statements of the Company and its controlled entities listed in the following table. The Company is the ultimate Australian parent entity and the ultimate parent of the Group.

<b>Name</b>	<b>Country of incorporation</b>	<b>% Equity interest</b>	
		<b>2018</b>	<b>2017</b>
Mount Mackenzie Pty Limited	Australia	100.00%	100.00%
Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited)	Australia	100.00%	100.00%
Resource & Energy Operations Pty Limited	Australia	100.00%	100.00%
Deep Energy Pty Limited	Australia	51.85%	51.85%

**22 Parent entity financial information**

(a) Summary financial information

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

	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<b>Balance Sheet</b>		
Current Assets	<b>70,129</b>	338,613
Total Assets	<b>6,688,305</b>	5,811,824
Current Liabilities	<b>1,970,028</b>	211,407
Total Liabilities	<b>5,372,844</b>	3,181,274
Net Assets	<b>1,315,462</b>	2,630,549
Shareholders' contributed equity	<b>14,712,059</b>	14,614,446
Reserves	<b>1,627,962</b>	1,158,088
Accumulated Losses	<b>(15,024,559)</b>	(13,141,985)
	<b>1,315,462</b>	2,630,549
Profit or Loss for the year		
Total comprehensive income/(loss) for the year	<b>(1,882,574)</b>	(1,068,343)

(b) Contingent Liabilities of the Parent

The Company did not have any contingent liabilities as at 30 June 2018 or in the prior financial year.

**Resources & Energy Group Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 June 2018**

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**23 Auditors' remuneration**

	<b>2018</b>	2017
	<b>\$</b>	\$
Fees charged by the auditor of the Company for auditing or reviewing the financial report	<b>\$55,213</b>	52,000

**24 Dividend**

No dividend has been declared or paid during the financial year or the prior period. The directors do not recommend the payment of a dividend for the year ended 30 June 2018.

**25 Events after balance sheet date**

On 21 December 2019 the Company acquired 100% of the issued share capital of Menzies Goldfield Pty Limited (previously Menzies Goldfield Limited) for total consideration of \$2,100,000. The consideration consisted of the issue of 32,400,000 ordinary shares at a deemed issue price of 5 cents each, plus cash consideration of \$480,000.

Trading of the Company's ordinary shares on the Australian Stock Exchange has remained subject to a voluntary suspension while the Group conducted a financial restructure.

The Company placed 64,550,000 ordinary shares to participants in a capital raising at an issue price of 5 cents which raised a total of \$3,227,500 via a combination of cash and the settlement of contractual payments or other amounts.

The Company agreed to convert interest bearing debts and other amounts payable of \$5,346,411 into 107,218,225 ordinary shares issued at 5 cents each.

There have been no other significant events occurring after the balance date which may affect either the Group's operations, results of those operations or the Group's state of affairs.

## Resources & Energy Group Limited Directors' Declaration

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In accordance with a resolution of the directors of Resources & Energy Group Limited, the directors declare that:

- (a) The financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001, including compliance with International Financial Reporting Statements as issued by the International Accounting Standards Board as stated in Note 2 of the financial statements.
- (b) The Chief Executive Officer has declared that:
  - (i) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Mr Gavin Rezos  
Chairman

Sydney, 17 May 2019

# Resources & Energy Group Limited

## Security Holders' Information

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Ltd. The information provided is current as of 6 May 2019.

### 1. Ordinary share holders

#### (a) Top 20 shareholders

The names of the 20 largest holders of ordinary shares as shown in the Company's share register are listed below.

Name	Number of Shares	% of Issued Shares
Arthur Phillip Nominees Pty Ltd	20,503,583	15.7%
Riqo Pty Limited	10,000,000	7.7%
Fontelina Pty Limited	9,920,000	7.6%
J P Morgan Nominees Australia Limited	8,750,000	6.7%
Larca Pty Limited	7,166,666	5.5%
HSBC Custody Nominees (Australia) Limited	6,423,334	4.9%
Seefeld Investments Pty Limited	5,802,004	4.4%
Minerva Geological Services Pty Limited	4,095,385	3.1%
Mr Roger Kwok and Ms Catherine Kwok	4,000,808	3.1%
Australian Mineral Partners Pty Limited	4,000,000	3.1%
Sanjur Pty Ltd	3,988,802	3.1%
Ms Amanda Croser	3,597,022	2.8%
Mr Paul Healey	3,000,000	2.3%
Riverbend Investments Pty Ltd	2,583,334	2.0%
Netwealth Investments Limited	2,500,000	1.9%
Mac Drill Pty Ltd	2,500,000	1.9%
Hestian Pty Ltd	2,500,000	1.9%
Citicrop Nominees Pty Limited	2,049,000	1.6%
Gaffwick Pty Limited	1,750,000	1.3%
Jamstep Holdings Pty Limited	1,615,384	1.2%
Total top 20 holders	106,745,322	81.8%
Other holders	23,798,523	18.2%
<b>Total ordinary shares on issue</b>	<b>130,543,845</b>	<b>100.0%</b>

#### (b) Shareholder analysis

An analysis of the numbers of ordinary share holders by size of holding is shown below

Size of holding range	Number of holders	Percentage of holders	Units held
1 - 1,000	9	2.3%	1,598
1,001 - 5,000	143	36.3%	406,850
5,001 - 10,000	62	15.7%	601,194
10,001 - 100,000	109	27.7%	3,916,445
100,001 and Over	71	18.0%	125,617,758
	394	100.0%	130,543,845

There were 131 shareholders that held less than a marketable parcel of ordinary shares.

## Resources & Energy Group Limited Security Holders' Information

### (c) Substantial shareholders

Holders of more than 5% of the ordinary shares who have lodged substantial shareholder notices are listed below.

Name of shareholder	Ordinary shares held	Percentage of total ordinary shares on issue
Richard Poole and family	37,987,302	29.1%
Terra Capital Pty Limited	8,750,000	6.7%
Gaffwick Pty Limited	7,333,334	5.6%
Larca Pty Limited	7,166,666	5.5%

### (d) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

### (e) Share buyback

There were no share buybacks during the 12 months to 30 June 2018 or subsequently.

## 2 Share options

The names of holders of more than 20% of each class of unlisted share options are shown below. Share options do not have voting rights until converted into ordinary shares.

Class	Name of holder	Share options issued	Percentage held of each class
D	Moutier Pty Limited	1,000,000	100.0%
E	Fontelina Pty Limited	6,250,000	33.7%
	Gaffwick Pty Limited	4,200,000	22.6%
	Vantage House Limited	4,166,667	22.4%
	Others	3,950,000	21.3%
F	Vivien Enterprises Pte Ltd	5,000,000	100.0%
G	Vivien Enterprises Pte Ltd	2,500,000	100.0%
H	Gaffwick Pty Limited	11,000,000	100.0%
I	Employee options	250,000	100.0%
J	Employee options	250,000	100.0%
K	Gaffwick Pty Limited	7,142,857	100.0%
L	Employee options	1,000,000	100.0%
M	Employee options	1,000,000	100.0%
<b>Total share options on issue</b>		<b>47,709,524</b>	