RESOURCE GENERATION LIMITED

ABN 91 059 950 337

30 June 2018

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

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

Registered Office:	Level 1 17 Station Road Indooroopilly QLD 4068 Australia	Principal place of business:	Lacey Oak House Ballyoaks Office Park 35 Ballyclare Drive Bryanston, Gauteng 2191 South Africa

The financial report was authorised for issue by the Directors on 17 September 2018.

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

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2018 (FY18).

1. Directors

The following persons were Directors of the Company during FY18 and up to the date of this report, unless otherwise stated:

Name	Position	Committee positions held during the year	Period of service
Mr L Xate	Chairman and Non-executive Director	Audit, Nomination, Remuneration and Social, Ethics and Transformation	Full year, as Chair effective from 22 November 2017
Mr R Croll	Independent Non-executive Director	Nomination and Risk Management	Full year
Mr M Dahiya	Non-executive Director	Nomination, Remuneration and Project Oversight	Full year
Mr C Gilligan	Independent Non-executive Director	Audit, Nomination, Project Oversight, Risk Management and Finance Documents	Full year
Mr L Molotsane *	Interim Managing Director and CEO	Audit, Risk Management and Social, Ethics and Transformation	Full year
Dr K Sebati	Independent Non-executive Director	Audit, Nomination and Social, Ethics and Transformation	Full year
Mr P Watson	Independent Non-executive Director	Audit, Remuneration and Finance Documents	Appointed 22 November 2017
Mr G Hunter	Non-executive Director (Alternate for M Dahiya)	Project Oversight and Finance Documents	Full year
Mr D Gately	Chairman and Independent Non-executive Director	Audit, Nomination and Remuneration	Resigned 22 November 2017

** Mr Molotsane was an Independent Non-executive Director until his appointment as Interim Managing Director and CEO effective 8 March 2018.*

Mr M Meintjes has been Company Secretary since 26 November 2015. Mr B O'Regan was appointed Joint Company Secretary on 26 June 2018.

(i) Information on Directors

Lulamile Xate B.Compt; Post Grad. Diploma Energy Studies	**Rob Croll BSc, Mining Engineering, MBA**
Chairman Lulamile has a wide range of business experience. Having completed articles at PricewaterhouseCoopers he has developed a number of successful businesses in the fishing, gas and forestry industries and is a director and chairman of a number of unlisted companies. Lulamile is a founding member and director of Altius Investment Holdings (Pty) Ltd (Altius). Altius is rated BBBEE level 1, being the highest rating under a statutory programme to integrate black South Africans into the economy. Lulamile has degrees and qualifications from UNISA and University of Murdoch, Perth in Australia, where he studied energy management and renewable energy systems at post graduate level. No other current or former listed directorships in the last three years *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Chairman of the Audit Committee (until 26 July 2017) Member of the Remuneration Committee Member of the Nomination Committee Member of the Social, Ethics and Transformation Committee	Independent Non-executive Director Rob is a mining engineer with over 40 years' experience in the mining industry. After serving in senior management positions with De Beers Consolidated Mines Ltd and the Anglo American Corporation of SA Ltd, Rob played a major role in managing the due diligence process for acquisitions for AngloGold Ltd. Thereafter Rob worked as a principal consultant with The MSA Group and now acts as an independent consultant. No other current or former listed directorships in the last three years *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Member of the Risk Management Committee Chairman of the Nomination Committee
Manish Dahiya B.A. Economics; MBA, INSEAD, France	**Colin Gilligan BSc Eng (Hons)**
Non-executive Director Manish is the Global Head of Energy Coal and LNG at Noble Group. Noble manages a portfolio of global supply chains for a range of industrial and energy products across marketing, processing, finance and transport of key commodities, connecting low-cost producing regions with high-demand growth markets. Manish worked with BHP Billiton for five years in commercial roles based in Singapore prior to joining Noble in 2009.	Independent Non-executive Director Colin is a mining engineer with extensive experience of contract mining and project construction. Colin has 30 years' experience as general manager and COO of coal mining companies and more recently as COO of Mitsui Coal. As COO of Coalspur Mines, Colin was a key participant in raising a US$350 million debt facility.

Former Commissioner of PT Atlas Resources Tbk (listed in Indonesia, resigned 20 June 2017) *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Member of the Remuneration Committee (appointed 26 July 2017) Member of the Nomination Committee (appointed 27 February 2018) Member of the Project Oversight Committee (appointed 27 February 2018)	Currently Independent Non-executive Director of Geopacific Resources Limited (ASX:GPR) *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Chairman of the Risk Management Committee Member of the Audit Committee (appointed 26 July 2017) Member of the Nomination Committee (appointed 16 August 2017) Member of the Finance Documents Committee (appointed 27 February 2018) Chairman of the Project Oversight Committee (appointed 27 February 2018)
Leapeetswe (Papi) Molotsane B.Eng Tech and BSc (Univ of Toledo, USA), MSc (Hood College, USA) and SEP (Stanford Univ, USA)	**Dr Konji Sebati BSc, MBChB.**
Interim Managing Director and CEO (appointed 8 March 2018) Papi has a distinguished business career, having served on the board and as Chief Executive Officer of Telkom, Chief Executive of Africa Commodities Group, Group Executive of Transnet and Chief Executive Officer of Fedics. Papi is currently a director of his family investment holding company. No other current or former listed directorships in the last three years *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Member of the Audit Committee (from 26 July 2017 until 8 March 2018) Chairman of the Social, Ethics and Transformation Committee Member of the Risk Management Committee	Independent Non-executive Director Konji is a medical practitioner and the CEO of IPASA, the Innovative Pharmaceutical Association of South Africa. After practising in the public health sector for several years where she specialized in Primary Health Care and Child Health, she joined the private sector and served in senior positions in South Africa and USA with Roche and Pfizer. Konji was appointed South African Ambassador to Switzerland in 2004 and Ambassador to France in 2008. In 2010 she joined WIPO, the World Intellectual Property Organisation in Geneva, Switzerland. No other current or former listed directorships in the last three years *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Chairperson of the Audit Committee (since 26 July 2017) Member of the Social, Ethics and Transformation Committee Member of the Nomination Committee (from 26 July 2017 until 27 February 2018)
Peter Watson BEng (Hons), FIEAust, GAICD	**Greg Hunter BSc Eng (Hons)**
Independent Non-executive Director Peter is a chemical engineer with extensive experience in the resources sector in Australia and across the world. Peter has over 30 years' experience in the project development, construction and operations of resource processing facilities with senior roles held in Thiess Construction, AMEC and most recently as Managing Director and CEO of Sedgman Pty Ltd. Currently Independent Non-executive Director of New Century Resources Limited (ASX:NCZ) *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Chairman of the Remuneration Committee (since 27 February 2018) Member of the Finance Documents Committee (appointed 27 February 2018) Member of the Audit Committee (appointed 27 February 2018)	Non-executive Director (alternate for M Dahiya) Greg is a mining engineer and has worked in the mining industry and in financial markets associated with mining finance, analysis and commodity sales for the last 29 years. He has worked for a number of companies including AngloGold, Deutsche Bank, Nedbank, Lonmin and is currently employed by the South African subsidiary of Noble Group Ltd. No other current or former listed directorships in the last three years *Interests in shares and performance share rights* Nil ordinary shares in Resource Generation Limited Nil performance share rights *Special responsibilities* Member of the Project Oversight Committee (appointed 27 February 2018 Member of the Finance Documents Committee (appointed 27 February 2018)

Denis Gately BA, LLB (Syd), FAICD

Independent Chairman (resigned 22 November 2017)

Experience and expertise

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

No other current or former listed directorships in the last three years

Interests in shares and performance share rights

400,000 ordinary shares in Resource Generation Limited

Nil performance share rights

Special responsibilities

Member of the Audit Committee (until 22 November 2017)

Member of the Remuneration Committee (until 22 November 2017)

Chairman of the Nomination Committee (until 22 November 2017)

Mike Meintjes BCom (Hons), ACA, F Fin

Joint Company Secretary

Mike is a Chartered Accountant with 32 years professional services experience principally with a Big Four accounting firm and more recently in part-time contracting and consulting roles. Mike also holds the Company Secretarial role with Alligator Energy Limited (ASX: AGE) and was Company Secretary to TopTung Limited (ASX: TTW) for four years.

Brendan O'Regan ACA, CA (SA)

Joint Company Secretary (appointed 26 June 2018)

Brendan is a Chartered Accountant with more than 30 years' experience in the profession with mining companies in Australia and South Africa. Brendan joined Resgen in 2011.

Director entitled to a benefit under a contract with the Company

Mr Xate is a director and shareholder of Altius Investment Holdings (Pty) Limited (Altius). In 2014 the Group entered into an agreement with Altius whereby a commission is payable for successfully co-ordinating a project debt facility for the main construction activities of the Boikarabelo Coal Mine Project. Mr Xate was not an officer of the Company when the agreement was entered into.

Mr Molotsane entered into an agreement with the Group in 2013 whereby he assisted with arranging negotiations in respect to an economic rail freight tariff reduction. Any reduction in the final tariff will be subject to an annual success fee payable following the signing of a contract reflecting this reduced tariff. Mr Molotsane was not an officer of the Company when the agreement was entered into.

(ii) Meetings of Directors

The number of Directors' and Committee meetings held during FY18 and the number of meetings attended by each Director was:

		Board	Audit	Nomination	Remun-eration	Risk Man-agement	Social, Ethics and Transfor-mation	Project Oversight *	Finance Documents **
L Xate	Held	13		4	5		2		
	Attended	13		4	5		2		
R Croll	Held	13		4		2			
	Attended	13		4		2			
M Dahiya ***	Held	13		2	5				
	Attended	10		2	3				
C Gilligan	Held	13	6	3		2			
	Attended	13	6	3		2			
L Molotsane	Held	13	5			2	2		
	Attended	13	5			2	2		
K Sebati	Held	13	6	2			2		
	Attended	10	5	1			2		
P Watson	Held	8	2		2				
	Attended	8	2		2				
G Hunter ***	Held	2			1				
	Attended	2			1				
D Gately	Held	4	3	2	3				
	Attended	4	3	2	3				

** This Committee was formally established as a Board Committee on 27 February 2018. Two meetings were held prior to this date but have not been included in the above table. No meetings have been held since 27 February 2018 .*

*** This Committee was formally established as a Board Committee on 27 February 2018 but no meetings have been held pending availability of credit-approved term sheets.*

**** Mr Hunter represened Mr Dahiya at two meetings of the Board and at one Remuneration Committee meeting.*

2. Principal activities

During FY18 the principal continuing activities of the Group consisted of the financing and development of the Boikarabelo Coal Mine in the Waterberg region of South Africa.

3. Operating and financial review

Corporate

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

During the period, an alternative funding solution was put in place after the initial source of Project Funding being pursued by the Company since 2016 was determined to be no longer viable. The financing parties to this initial source of Project Funding required a greater degree of certainty around the terms of coal supply to Eskom before proceeding to secure credit approval. The alternative funding solution is not subject to a committed domestic coal supply with Eskom.

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

The Company announced the execution of a Bilateral Senior Loan Facility Agreement (ASX Announcement: 16 April 2018) between the Industrial Development Corporation of South Africa Limited (IDC) and its subsidiary Ledjadja Coal (Pty) Ltd. The IDC is the first party of the alternative funding solution (comprising of a syndicate of three parties) to secure credit committee approval.

In the Quarterly Activities Report released on 30 April 2018 and subsequent market updates on 10 May and 4 June 2018, the Company noted slippage in the credit approval process for one of the remaining two Syndicate members and a delay to the proposed Board meeting for considering finalised credit approved term sheets from the Syndicate. Whilst both of these parties have confirmed ongoing commitment to funding of the Boikarabelo Project, one of these parties requested further information before proceeding with their process. The additional information requested revolved around:

* mitigation of counterparty credit risk exposures during the period that Noble Group Limited (Noble) finalises its restructure plans; and
* the specific plans to secure working capital for the ramp-up of the mine.

In late June 2018, the Company provided a written response to the concerns raised by the Lender and at year-end was awaiting advice on whether the indicated mitigations are sufficient to enable the credit approval process to proceed. At this time the Board believes that it is not prudent to set a timetable for final credit approvals and will keep the market informed in accordance with its continuous disclosure obligations. In relation to the ramp-up facility, the Company previosuly indicated that the funds could be raised when required from commercial banks, as the Project would have been substantially de-risked at that point in time.

The Company has been able to identify a number of parties interested in funding the required rail link for the Project. Due diligence activities and discussions continue with the objective of securing the offer of credit approved term sheets.

During the year, the Company agreed further extensions of the Facility Agreement of 3 March 2014 (Facility), under which Noble Resources International Pte Ltd agreed to make available additional funds of up to US$6.3m to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL) to fund operations whilst project funding is secured. The total Facility made available to LCL as at 30 June 2018 is US$34.7m. The additional funds were made available on the same terms as the existing facility. In addition, the Company agreed with Noble to extend the commencement of repayment of the amounts borrowed from September 2017 to August 2018.

Effective 8 March 2018, Rob Lowe stood down as CEO and assumed the role of Advisor - Project Funding focusing exclusively on achievement of Financial Close and first drawdown of funds. Rob will remain with the Company on a full-time basis assisting with project start-up activities until completion of his contract on 31 December 2018. Leapeetswe (Papi) Molotsane, a Non-executive Director, was appointed as Interim Managing Director and CEO on a month to month basis through to Financial Close, or until the appointment of a permanent CEO.

The Company, through its subsidiary, Ledjadja Coal (Pty) Ltd (LCL), executed an agreement with Noble Resources International Pte Ltd (Noble) on 11 December 2017 for the supply of additional uncontracted coal to be produced from the mine. The grant to Noble of this first right of refusal to purchase any additional uncontracted coal to be produced from the mine arose during negotiations of an extension to the Facility Agreement. LCL has agreed to sell to Noble 1.1 Mt of coal per annum for years 1 to 3 and 0.2 Mt per annum from year 4 onwards.

Review of Operations

The Company has continued to maintain site facilities in preparation for mobilisation of EPC contractors once project funding has been secured.

The Company updated the previously released Coal Resources and Coal Reserves Statement (ASX Announcement 23 January 2017), in particular updating the Waterberg #1 Coal Resources to comply with the JORC Code 2012. There has been no material change to the previously reported Coal Resources and Coal Reserves as a result of this update.

Financial Headlines

- Loss before income tax increased by 415% to $10.3m (2017: $2.0m loss)

- The most significant items contributing to the FY18 loss before income tax were:
  (i) Finance expenses of $1.6m (2017: nil) being that portion of interest on the Noble loan that cannot be capitalised under IAS 23
  (ii) Unrealised foreign exchange loss of $3.0m (2017: $4.3m gain) being an unrealised loss from translation of the amount outstanding under the Noble loan facility
- Net debt of $62.4m at 30 June 2018 (2017: $42.1m)
- Gearing at 50.9% at 30 June 2018 (2017: 31.3%)
- Cash expenditure of $5.8m on operating activities (2017: $4.1m); this increase is due to a corresponding reduction in trade and other payables
- Cash expenditure of $5.1m on mine infrastructure (2017: $6.9m)
- Agreed deferral of Noble loan repayments from September 2017 to November 2018 to conserve existing cash balances
- Shareholders' equity has seen a decrease of $12.0m (2017: $12.0m increase) in the period primarily due to the reported loss

Financial and non-financial performance	**FY18**	**FY17**	**% change**
Loss before income tax ($million)	(10.3)	(2.0)	415%
Basis loss per share (cents)	(1.8)	(0.3)	500%
Total debt ($million)	64.1	46.8	37%
Net debt ($million)	62.4	42.1	48%
Net assets ($million)	122.5	134.5	-9%
Gearing ratio [1]	50.9%	31.3%	63%
Number of employees [2]	44	41	7%
Gender diversity [3]	36%	32%	13%
Transformation [4]	64%	59%	8%

1. Net debt/Equity
2. Employees includes Directors
3. Gender diversity equates to number of female employees to total employees
4. Transformation equates to number of Historically Disadvantaged South Africans (HDSA) employees to total employees

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

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

Dividends
No dividends were paid or proposed to be paid to members during the financial year (2017: nil).

Results of operations
The loss for the year for the Group was $10.3 million (2017: $2.0 million loss).

Matters subsequent to the end of financial year
The Company agreed a further extension of the Facility Agreement of 3 March 2014 (Facility), under which Noble Resources International Pte Ltd will make available additional funds of up to US$2.5m to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL) to fund operations whilst project funding is secured. The total Facility made available to the Company is now US$37.2m.

The additional funds are to be made available on the same terms as the existing Facility and can be drawn in monthly tranches over the period to 31 October 2018. The date of commencement of loan repayments was also deferred from 1 August 2018 to 1 November 2018 with a termination date of 31 March 2025.

The Group has received in principle support from Noble (subject to satisfaction of conditions precedent) in respect of a request for a further extension of the Facility amounting to US$4.7m along with a deferral of loan repayments that are currently due to commence on 1 November 2018 to 1 April 2019.

The Company has executed three separate contracts with Sedgman (South Africa) (Proprietary) Limited and Sedgman Pty Limited for the Boikarabelo Coal Mine relating to (i) the engineering design, construction and commissioning of the CHPP; (ii) the operations and maintenance for the CHPP; and (iii) the construction of ancillary works relating to the infrastructure of the mine.

There are no other events that have occurred subsequent to the end of the financial year that have significantly affected or may significantly affect:
(i) the Group's operations in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Further information on likely developments in the operations of the Group and the expected results of operations are expanded upon elsewhere in this report. After finalisation of project funding, the focus of the next two years will be the construction of the Boikarabelo Coal Mine with production currently targeted for the 2022 financial year.

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

4. Remuneration report

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group for FY18. The information provided in this Remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001* .

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

(i) Remuneration governance

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

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

During FY18 the Remuneration Committee comprised of Peter Watson (Chair) (from 27 February 2018), Lulamile Xate and Manish Dahiya.

The Charter for the Committee is available on the Company's website together with the Remuneration Policy.

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

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

(ii) Remuneration policy and components

Executive KMP remuneration

Remuneration component	Policy principles and application	Performance targets and pay-out details
Fixed remuneration	Fixed remuneration received by the CEO, CFO and COO is subject to approval by the Remuneration Committee. Fixed remuneration is comprised of base salary plus other monetary benefits. In line with Group policy and Executives' service agreements, remuneration levels are reviewed annually based on market benchmarking and individual performance.	Taking into account the delays in securing project funding and the Company's financial position during FY18, **the Remuneration Committee did not award any pay increases during FY18.**
Short-term incentives (STIs)	STIs are offered on a competitive basis considering a total remuneration package benchmarked against relevant industry groups and having regard for the specific circumstances of the Group. The components of each Executive's total remuneration package is weighted in accordance with their role and responsibilities and are reflected in their employment contracts. The Remuneration Committee recommends to the Board at the beginning of the year appropriate targets and key performance indicators (KPIs) to be linked to the STI plan. The level of payout if performance targets are met is also considered by the Committee. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STIs. These performance targets are based on both financial and non-financial targets which are monitored during the financial year. During project funding and construction phases, there will be a higher proportion of non-financial metrics. Further details are noted under (vi) below (Service Agreements).	Although STI KPIs were in place for all KMP in FY18, **the Remuneration Committee did not consider it prudent to award any STI payout in FY18** due to delays in securing project funding. KMP were supportive of the position taken. There are no STI incentives in the employment contract of the Interim CEO due to the nature of this short-term assignment. The Remuneration Committee has advised KMP that STI KPI performance will be reviewed post Financial Close.

Long-term incentives (LTIs)	The Long-Term Incentive Plan (LTIP), known as the Employee Share Plan, was approved by shareholders at the October 2014 Annual General Meeting. Performance share rights are granted under the LTIP to employees eligible to participate in the plan i.e. those at an executive level. The LTIP for the period to 26 November 2015 was focused on achieving key Group milestones including funding, mine development and initial coal production of the Boikarabelo Coal Mine as per section (v) c) and (vii) below. Performance share rights are granted under the LTIP for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities.	Each year the Board, on the recommendation of the Remuneration Committee, considers whether senior executives should be awarded performance share rights under the LTIP and considers the appropriate targets and key performance indicators to determine what hurdles are appropriate for vesting to occur. **There have been no new grants since the establishment of the Remuneration Committee formed by the new Board in November 2015** and the LTIP has been put on hold pending finalisation of project funding. The Remuneration Committee is developing a remuneration framework for FY19 to be triggered when funding is obtained and mine development commences. Short and long-term incentives aligned with this strategy and shareholder interests will form part of this framework.
Sign-on incentives	To attract suitable KMP, it is sometimes necessary to offer sign-on payments. Such payments are consistent with market practise in the industry and facilitate movement of executives to Resgen by compensating them for a portion of entitlements that they would otherwise lose on leaving their previous employer.	**No new sign-on incentives were awarded in FY18**. The FY17 sign-on award to the COO was structured over two years and an amount of $166,667 was earned through continuing service during FY18. The incentive was settled through transfer of Treasury Shares (see note 19 c).

Non-executive Director remuneration

Remuneration component	Policy principles and application	Performance targets and pay-out details
Fixed remuneration	The Board policy is to remunerate NEDs at market rates for time, commitment and responsibilities. The Board determines payments to NEDs and annually reviews their remuneration taking into account comparable roles, comparative market data and if required the advice of independent remuneration consultants. Directors are expected to attend all Board meetings and roles on sub-committees are evenly shared. Consequently no separate meeting fee is paid.	The Board determined that there would be **no increase in fees for FY18 and Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.**
Short-term incentives (STIs)	No STIs are awarded to Directors.	No STIs are awarded to Directors.
Long-term incentives (LTIs)	No LTIs are awarded to Directors.	Directors do not receive any performance share rights.
Retirement plans	There are no retirement allowances or other benefits paid to Directors although Australian-based Directors are required to pay a statutory superannuation guarantee amounting to 9.5%.	Directors do not receive lump-sum retirement payments at end of tenure.

(iii) Members of Key Management Personnel (KMP)

The table below sets out details of those persons who were KMP of the Group during FY18.

Name	Position	Period as KMP
Non-executive Members of KMP (Non-executive Directors (NEDs))		
L Xate	Chairman and Non-executive Director	Full year
R Croll	Independent Non-executive Director	Full year
M Dahiya	Non-executive Director	Full year
C Gilligan	Independent Non-executive Director	Full year
L Molotsane	Independent Non-executive Director	Until 8 March 2018
K Sebati	Independent Non-executive Director	Full year
P Watson	Independent Non-executive Director	From 22 November 2017
G Hunter	Non-executive Director (Alternate for M Dahiya)	Full year
D Gately	Chairman and Independent Non-executive Director	Until 22 November 2017
Executive Members of KMP (Executive KMP)		
L Molotsane	Interim Managing Director and Chief Executive Officer (ICEO)	From 8 March 2018
B O'Regan	Chief Financial Officer (CFO)	Full year
Z van der Bank	Chief Operations Officer (COO)	Full year
H van den Aardweg	General Manager Operations (GMO)	Full year
S Selibe	Head of Marketing and Logistics (HML)	Full year
R Lowe	Chief Executive Officer (CEO)	Until 8 March 2018

(iv) Application of remuneration policy

Executive KMP remuneration

Due to the delays in finalising the finance for the development of the Boikarabelo Coal Mine, the typical mix of remuneration comprising fixed and at-risk components has not yet been fully implemented. The objectives of having fixed, short and long-term incentives are however set out in the Remuneration Policy. The short-term objective set at the beginning of FY16 was the achievement of financial close for funding of the Boikarabelo Coal Mine whilst meeting all compliance obligations. In this connection, operation of the Long-Term Incentive Plan was put on hold by the Remuneration Committee pending achievement of this objective. The Remuneration Committee is developing a remuneration framework for FY19 that will be triggered once funding is obtained and mine development commences. Short and long-term incentives aligned with this strategy and shareholder interests will form part of this framework.

The Group policy has the objective of structuring executive remuneration that is market competitive in order to attract and retain high calibre executives and which is complementary to the reward strategy of the organisation. The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. The remuneration of executives through to 2021 will be aligned with key milestones in the development of the Boikarabelo Coal Mine once funding is secured.

The following table illustrates the remuneration mix for Executive KMP as at 30 June 2018 (assuming Target performance for at-risk components).

	2018				2017			
	Fixed	**STI - At Risk**	**LTI - At Risk [1]**	**Total**	**Fixed**	**STI - At Risk**	**LTI - At Risk [1]**	**Total**
L Molotsane [2]	100%	0%	0%	100%	n/a	n/a	n/a	n/a
B O'Regan	80%	20%	0%	100%	81%	0%	19%	100%
Z van der Bank	71%	29%	0%	100%	71%	29%	0%	100%
H van den Aardweg	80%	20%	0%	100%	77%	0%	23%	100%
S Selibe	100%	0%	0%	100%	100%	0%	0%	100%
R Lowe	67%	33%	0%	100%	67%	33%	0%	100%

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

2. Interim role hence decision by the Board not to include an STI or LTI component.

The ratio of average KMP remuneration to the average remuneration of other employees is 5 (2017: 5).

The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY18. It includes:

a) fixed remuneration earned in FY18;
b) STI earned in respect of FY18;
c) LTI earned in respect of FY18;
d) any non-monetary benefits provided in FY18; and
e) sign-on incentives earned in FY18.

	Fixed	**STI [2]**	**LTI [3]**	**Other [4]**	**Sign-on incentive [5]**	**Total**
Executive KMP	**$**	**$**	**$**	**$**	**$**	**$**
L Molotsane [1]	131,943	-	-	12,323	-	144,266
B O'Regan	385,288	-	-	23,684	-	408,972
Z van der Bank	387,630	-	-	39,481	166,667	593,778
H van den Aardweg	388,473	-	-	38,617	-	427,090
S Selibe	173,937	-	-	-	-	173,937
R Lowe [6]	550,538	-	-	25,468	-	576,006

1. Appointed as Interim MD and CEO 8 March 2018 (4 months)

2. The Remuneration Committee has proposed to review the STI performance bonus assessment after Financial Close

3. No LTI Awards reached the end of their performance period in FY18

4. Includes motor vehicle benefits (where applicable)

5. Mr van der Bank received both cash and shares as a sign-on incentive subject to continuing employment within the Group

6. KMP until 8 March 2018 (8 months)

	FY17	FY18	% change	Comments
L Molotsane	$	$		
CTC Remuneration [1]	-	144,266	0%	Appointed as Interim Managing Director and CEO effective 8 March 2018 (4 months)
STI	-	-	0%	No eligibility to bonus incentives due to the nature of this short-term assignment
LTI	-	-	0%	No eligibility to bonus incentives due to the nature of this short-term assignment
Total Remuneration	-	144,266	0%	
B O'Regan				
CTC Remuneration [1]	366,008	408,972	12%	Increase awarded following appointment as CFO in FY17 not applicable for full 12 month in prior period. FY18 reflects full year at increased salary
STI	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI	91,696	46,225	-50%	No LTIs awarded in FY18. FY18 charge is in respect of performance share rights awarded in FY14. Employee Share Plan on hold pending funding
Total Remuneration	457,704	455,197	-1%	
Z van der Bank				
CTC Remuneration [1]	424,803	427,111	1%	Increase due to currency conversion (salary denominated in ZAR)
Sign-on incentive	556,556	166,667	-70%	Awarded a sign-on incentive to compensate for entitlements that were foregone when leaving previous employment. Elegibility based on continuing employment
STI	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI	-	-	0%	Employee Share Plan currently on hold pending funding
Total Remuneration	981,359	593,778	-39%	
H van den Aardweg				
CTC Remuneration [1]	431,583	427,090	-1%	One-off performance bonus of ZAR 52,500 paid in FY17, none in FY18
STI	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI	114,620	57,781	-50%	No LTIs awarded in FY18. FY18 charge is in respect of performance share rights awarded in FY14. Employee Share Plan on hold pending funding
Total Remuneration	546,203	484,871	-11%	
S Selibe				
CTC Remuneration [1]	59,058	173,937	195%	FY17 expense is for 4 months; FY18 for full year
STI	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI	-	-	0%	Employee Share Plan currently on hold pending funding
Total Remuneration	59,058	173,937	195%	
R Lowe				
CTC Remuneration [1]	837,151	576,006	-31%	FY17 expense is for full year; FY18 for 8 months
STI	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI	-	-	0%	Employee Share Plan currently on hold pending funding
Total Remuneration	837,151	576,006	-31%	

1. CTC stands for Cost to Company

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

Non-executive Director (NED) remuneration

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

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

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

	Chairman [1]	Deputy Chairman	South African Member	Australian Member
	$	$	$	$
Board	71,000	42,600	42,600	75,000
Committees - Audit; Nomination; Remuneration; Risk Management; Social, Ethics and Transformation; Project Oversight; Finance Documents [2]	-	-	-	-

1. Fee of $125,000 pa applied for the Australian Chairman until 22 November 2017. A fee of $71,000 pa applies for the South African Chairman since 22 November 2017.

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

The Board determined that there would be no increase in fees for FY18 and Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.

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

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

(v) Details of remuneration

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

a) Remuneration

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

	FY	Salary	STI	Other [4]	Super-annuation Benefits	Long Service Leave	Termination Benefits	Performance Shares	Total Remun-eration
Executive Directors		$	$	$	$	$	$	$	$
L Molotsane [1]	2018	131,943	-	12,323	-	-	-	-	**144,266**
	2017	-	-	-	-	-	-	-	-
Other Executives									
B O'Regan	2018	385,288	-	23,684	-	-	-	46,225	**455,197**
	2017	325,231	-	40,777	-	-	-	91,696	457,704
Z van der Bank	2018	387,630	-	206,148	-	-	-	-	**593,778**
	2017	385,990	-	595,369	-	-	-	-	981,359
H van den Aardweg	2018	388,473	-	38,617	-	-	-	57,781	**484,871**
	2017	393,620	-	37,963	-	-	-	114,620	546,203
S Selibe [2]	2018	173,937	-	-	-	-	-	-	**173,937**
	2017	59,058	-	-	-	-	-	-	59,058
R Lowe [3]	2018	550,538	-	25,468	-	-	-	-	**576,006**
	2017	800,000	-	37,151	-	-	-	-	837,151
Total	**2018**	**2,017,809**	**-**	**306,240**	**-**	**-**	**-**	**104,006**	**2,428,055**
	2017	1,963,899	-	711,260	-	-	-	206,316	2,881,475

1. Appointed Interim Managing Director and CEO effective 8 March 2018; amount is inclusive of NED fee from 8 March 2018
2. Appointed KMP 1 March 2017
3. Resigned as CEO effective 8 March 2018
4. Includes sign-on incentives, motor vehicle benefits, medical aid and housing allowance (where applicable).

		Short-term Benefits			Post-Employment Benefits		Total Rem-uneration for services as NED
Non-executive Directors	FY	Board and Committee Fees	Non-Monetary Benefits	Other Fees [1]	Super-annuation Benefits	Termination Benefits	
		$	$	$	$	$	$
L Xate [4]	2018	59,798	-	29,265	-	-	**89,063**
	2017	42,600	-	38,926	-	-	81,526
R Croll	2018	42,600	-	-	-	-	**42,600**
	2017	42,600	-	5,888	-	-	48,488
M Dahiya [2]	2018	-	-	-	-	-	**-**
	2017	-	-	-	-	-	-
C Gilligan	2018	68,493	-	31,000	6,507	-	**106,000**
	2017	68,493	-	223,200	6,507	-	298,200
L Molotsane [3]	2018	33,923	-	73,652	-	-	**107,575**
	2017	42,600	-	77,022	-	-	119,622
Dr K Sebati	2018	42,600	-	-	-	-	**42,600**
	2017	42,600	-	-	-	-	42,600
P Watson [5]	2018	41,476	-	-	3,940	-	**45,416**
	2017	-	-	-	-	-	-
G Hunter [2]	2018	-	-	-	-	-	**-**
	2017	-	-	-	-	-	-
D Gately [6]	2018	45,028	-	-	4,278	-	**49,306**
	2017	114,155	-	-	10,845	-	125,000
Total	**2018**	**333,918**	**-**	**133,917**	**14,725**	**-**	**482,560**
	2017	353,048	-	345,036	17,352	-	715,436

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

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

3. Appointed as Executive KMP from 8 March 2018; no consulting fees were paid after this date

4. Appointed as Chairman from 22 November 2017

5. Appointed 22 November 2017

6. Resigned as Chairman from 22 November 2017

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

b) Shareholdings

The number of shares in the Company held during FY18 by each KMP of the Company, including their personally related parties, are set out below:

	Held at 30 June 2017	Received on vesting of rights	Received as remun-eration [1]	Other net changes	Held at 30 June 2018
Non-executive Directors					
L Xate [2]	-	-	-	-	-
M Dahiya [3]	-	-	-	-	-
G Hunter [3]	-	-	-	-	-
D Gately [4]	400,000	-	-	(400,000)	-
Executive KMP					
R Lowe [2; 5]	2,000,000	-	-	(2,000,000)	-
B O'Regan	276,000	-	-	-	276,000
Z van der Bank [1]	673,597	-	1,615,591	-	2,289,188
H van den Aardweg	1,050,000	-	-	-	1,050,000
S Selibe	30,000	-	-	-	30,000
Totals	**4,429,597**	**-**	**1,615,591**	**(2,400,000)**	**3,645,188**

1. Shares awarded in relation to sign-on incentive. A further tranche of 1,778,529 shares were issued to the COO on 1 August 2018, the cost of which is included in FY18 remuneration.

2. In addition to the above, 62,124,089 (FY17: 62,124,089) ordinary shares are held beneficially by a related party to the KMP.

3. In addition to the above, 79,609,933 (FY17: 79,609,933) ordinary shares are held beneficially by a related party to the KMP.

4. Resigned on 22 November 2017.

5. Resigned as CEO effective 8 March 2018.

c) Performance share rights

The number of performance share rights over ordinary shares in the Company held during FY18 by each KMP of the Company, including their personally related parties, are set out below. The performance rights were issued by the previous Board of Directors prior to the decision to freeze the LTIP pending funding of the project. Refer (vii) below for further details.

	Held at 30 June 2017	Granted during the year	Lapsed or forfeited during the year	Held at 30 June 2018	Vested and exercisable at 30 June 2018	Unvested at 30 June 2018
H van den Aardweg	2,500,000	-	-	2,500,000	-	2,500,000
B O'Regan	2,000,000	-	-	2,000,000	-	2,000,000
Totals	**4,500,000**	**-**	**-**	**4,500,000**	**-**	**4,500,000**

d) Transactions with KMP

Other than as disclosed above, during FY18 there were no transactions between KMP or their closely related parties and the Group.

There are no amounts payable by KMP at 30 June 2018 (2017: nil). There are no loans with KMP.

(vi) Service agreements

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

Details	L Molotsane - ICEO	S Selibe - HML	R Lowe - former CEO
Contract term	Contract effective 8 March 2018, no fixed term	Contract effective 1 March 2016, no fixed term	Contract effective 26 November 2015, stood down as CEO 8 March 2018
Termination and notice	Month to month arrangement, one calendar month's termination notice	One month's notice by employee; termination payments in line with Basic Conditions of Employment Act	Stood down as CEO 8 March 2018; contract expires on 31 December 2018
Salary review	As the role is an interim arrangement the Package is not subject to review	Package salary to be reviewed annually	Base salary and superannuation to be reviewed annually
Annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave
STIs	No eligibility to bonus incentives	Provision made for the awarding of bonuses at the discretion of the Board	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings
LTIs	No eligibility to bonus incentives	Currently no provision made for the award of performance share rights	Provision made for the award of performance share rights, subject to Board approval. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding
Details	**B O'Regan - CFO**	**Z van der Bank - COO**	**H van den Aardweg - GMO**
Contract term	Contract effective 21 March 2011, no fixed term	Contract effective 1 July 2016, no fixed term	Contract effective 1 November 2008, no fixed term
Termination and notice	One month's notice by employee; termination payments equivalent to three months' salary package	One month's notice by employee; termination payments equivalent to three months' salary package	One month's notice by employee; termination payments equivalent to three months' salary package
Salary review	Base salary and superannuation to be reviewed annually	Base salary and superannuation to be reviewed annually	Base salary and superannuation to be reviewed annually
Annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave
STIs	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings, including: (i) budget management (10%) (ii) no regulatory or compliance breaches (10%) (iii) health and safety, zero LTIs (10%) (iv) achieving Financial Close by 31 March 2018 (35%) (v) development and performance assessment of Finance team (15%) (vi) budget preparation with Board approval by 30 May 2018 (10%) (vii) reporting and analysis (5%) (viii) Company Secretarial responsibilities (5%)	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings, including: (i) budget management (10%) (ii) no regulatory or compliance breaches (10%) (iii) health and safety, zero LTIs (10%) (iv) recruitment, appointment, induction and management of management team (10%) (v) development of risk management plan and implementation of transformation plan (15%) (vi) development and performance assessment of management team (15%) (vii) management of capital budget (10%) (viii) management of EPC contractors (10%) (ix) Development and introduction of policies and procedures (10%)	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings, including: (i) budget management (10%) (ii) no regulatory or compliance breaches (10%) (iii) health and safety, zero LTIs (10%) (iv) assist COO with recruitment, appointment, induction and management of management team (10%) (v) development of risk management plan and implementation of transformation plan (15%) (vi) development and performance assessment of management team (15%) (vii) management of capital budget (10%) (viii) assist COO with management of EPC contractors (10%) (ix) assist COO with development and introduction of policies and procedures
LTIs	Provision made for the award of performance share rights. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.	Currently no provision made for the award of performance share rights.	Provision made for the award of performance share rights. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.

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

Key financial data
The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2018.

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014 *Restated
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	**551**	759	279	677	4,110
Unrealised foreign exchange movements	**(3,006)**	4,257	(4,165)	1,070	0
Net loss before tax	**(10,342)**	(1,975)	(7,656)	(4,944)	(1,720)
Net loss after tax	**(10,342)**	(1,974)	(7,657)	(4,949)	(1,727)
	cents	**cents**	**cents**	**cents**	**cents**
Share price at start of year	**5**	8	7	13	20
Share price at end of year	**5**	5	8	7	13
Basic earnings per share	**(1.8)**	(0.3)	(1.3)	(0.9)	(0.4)
Diluted earnings per share	**(1.8)**	(0.3)	(1.3)	(0.9)	(0.4)

*These items were restated in the 2016 financial report

There were no dividends paid or proposed during the five years to 30 June 2018.

(vii) Share-based compensation

Performance share rights
Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. During FY18, the Board approved an extension of the vesting period and a change in the performance hurdles for the performance share rights expiring during the financial year to recognise challenges with the delay in securing project funding. The modification involved rationalisation to one performance hurdle being the date on which the Company issues a Notice to Proceed to Sedgman in relation to the CHPP EPC agreement. This date will only occur after Financial Close has been achieved.

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

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

Name	Grant date	Financial year in which rights may vest	Issue price of shares	Value per right at grant date	Number granted under right	Maximum total value of grant yet to vest	Year granted
						$	
H van den Aardweg	28-Jan-14	2019	Nil	$0.18	1,000,000	$180,000	2014
H van den Aardweg	28-Jan-14	2019	Nil	$0.18	1,500,000	$270,000	2014
B O'Regan	28-Jan-14	2019	Nil	$0.18	1,000,000	$180,000	2014
B O'Regan	28-Jan-14	2019	Nil	$0.18	1,000,000	$180,000	2014

There is no pre-determined vesting or exercisable date for performance share rights. They are converted to shares on the date of vesting, which is at the discretion of the holder once performance hurdles are met. **During FY18, no performance share rights vested.**

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

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

5. Additional information

(i) Shares under option

At 30 June 2018 there were 5.7m unissued ordinary shares under performance share rights. No performance share rights were converted during FY18. Refer to note 19 of the financial statements for further details.

(ii) Insurance and indemnification of officers

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

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

(a) as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and
(b) for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(iii) Proceedings on behalf of the Company

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

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

(iv) Rounding of amounts

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

(v) Auditor's independence declaration

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

(vi) Non-audit services

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

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

On behalf of the Directors

L Xate
Chairman
Johannesburg
17 September 2018

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17 September 2018

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

Dear Board Members

Resource Generation Limited

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

As lead audit partner for the audit of the financial report of Resource Generation Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Resource Generation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

		Consolidated	
		2018	2017
	Notes	**$'000**	$'000
Interest revenue	5	218	182
Other	5	333	577
		551	759
Administration, rent and corporate		(3,211)	(3,606)
Depreciation of property, plant and equipment	10	(380)	(387)
Employee benefits expense		(2,467)	(2,640)
Finance expenses		(1,626)	(3)
Share-based compensation expense	20	(203)	(355)
Unrealised foreign exchange movements		(3,006)	4,257
Loss before income tax		(10,342)	(1,975)
Income tax (expense)/benefit	6	-	1
Loss from continuing operations		(10,342)	(1,974)
Loss for the year		**(10,342)**	(1,974)
Other comprehensive (loss)/income, net of income tax			
Items that may be subsequently reclassified to profit and loss when specific conditions are met:			
Exchange differences on translation of foreign operations	20	(1,854)	13,648
Total comprehensive (loss)/income		(12,196)	11,674
Loss is attributable to:			
Owners of Resource Generation Limited		**(10,342)**	(1,974)
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Resource Generation Limited		(12,196)	11,674
Headline loss		(10,342)	(1,974)
Loss per share			
Loss per share for loss from continuing operations		**Cents**	Cents
Basic loss per share	28	**(1.8)**	(0.3)
Diluted loss per share	28	**(1.8)**	(0.3)
Headline loss per share	28	**(1.8)**	(0.3)

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

Resource Generation Limited

Consolidated statement of financial position

As at 30 June 2018

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
Current assets			
Cash and cash equivalents	7	1,729	4,682
Trade and other receivables	8	82	170
Deposits and prepayments	9	168	180
		1,979	5,032
Non-current assets			
Property, plant and equipment	10	32,323	33,081
Mining tenements and mining development	11	161,719	153,677
Deposits	12	1,207	2,042
		195,249	188,800
TOTAL ASSETS		197,228	193,832
Current liabilities			
Trade and other payables	13	6,302	8,185
Provisions	14	563	300
Borrowings	17	19,660	12,665
		26,525	21,150
Non-current liabilities			
Provisions	15	2,150	2,175
Borrowings	18	44,420	34,115
Royalties payable	16	1,645	1,869
		48,215	38,159
TOTAL LIABILITIES		74,740	59,309
NET ASSETS		122,488	134,523
Equity			
Contributed equity	19	223,622	223,622
Reserves	20	(38,603)	(36,910)
Accumulated losses	20	(62,531)	(52,189)
TOTAL EQUITY		122,488	134,523

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

Resource Generation Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

	Notes	Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total equity $'000
Balance at 1 July 2016		**223,622**	**(50,955)**	**(50,215)**	**122,452**
Loss for the year	20 b)	-	-	(1,974)	(1,974)
Other comprehensive income for the year - exchange differences on translation of foreign operations	20 a)	-	13,648	-	13,648
Total comprehensive income/(loss) for the year		-	13,648	(1,974)	11,674
Transactions with owners in their capacity as owners:					
Treasury shares to be issued to an employee	20 a)	-	42	-	42
Employee share plan - value of employee services	20 a)	-	204	-	204
Employee share plan - value of employee services	20 a)	-	151	-	151
		-	397	-	397
Balance at 30 June 2017		**223,622**	**(36,910)**	**(52,189)**	**134,523**
Loss for the year	20 b)	-	-	(10,342)	(10,342)
Other comprehensive loss for the year - exchange differences on translation of foreign operations	20 a)	-	(1,854)	-	(1,854)
Total comprehensive loss for the year		-	(1,854)	(10,342)	(12,196)
Transactions with owners in their capacity as owners:					
Treasury shares to be issued to an employee, vesting on 30 June 2018	20 a)	-	(42)	-	(42)
Employee share plan - value of employee services	20 a)	-	116	-	116
Employee share plan - value of employee services	20 a)	-	87	-	87
		-	161	-	161
Balance at 30 June 2018		**223,622**	**(38,603)**	**(62,531)**	**122,488**

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

Resource Generation Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

		Consolidated	
		2018	2017
	Notes	**$'000**	$'000
Cash flows from operating activities			
Payments to suppliers and employees		(6,054)	(4,277)
Interest received		218	182
Finance costs		(5)	(3)
Taxation refunds		-	1
Net cash outflow from operating activities	27	(5,841)	(4,097)
Cash flows from investing activities			
Payments for property, plant and equipment		(6)	(185)
Payments for mining tenements and mining development		(5,050)	(6,673)
Net cash outflow from investing activities		(5,056)	(6,858)
Cash flows from financing activities			
Repayment of borrowings		(2,501)	(2,798)
Drawdown of borrowings		10,471	6,830
Net cash inflow from financing activities		7,970	4,032
Net decrease in cash and cash equivalents		(2,927)	(6,923)
Cash and cash equivalents at the beginning of the year		4,682	11,955
Effects of exchange rate movements on cash and cash equivalents		(26)	(350)
Cash and cash equivalents at the end of the year	7	**1,729**	4,682

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

1. Summary of Significant Accounting Policies

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

a) Statement of compliance

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

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

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the year ended 30 June 2017, except for the impact of the Standards and Interpretations described below as set out in note 1 w). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 17 September 2018.

Compliance with IFRS

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

Going concern

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

As at 30 June 2018, the Group had net current liabilities of $24.5 million (30 June 2017: net current liabilities of $16.1 million), made a loss for the year of $10.3 million (2017: $2.0 million loss for the year) and recorded a net cash outflow from operations of $5.8 million (2017: $4.1 million for the year). The Group had a cash balance at 30 June 2018 of $1.7 million (30 June 2017: $4.7 million).

In concluding that the going concern basis is appropriate, a cash flow forecast has been prepared for the fifteen months to 30 September 2019. The forecast includes the following key assumptions:

(a) the drawdown of the remaining US$1.4 million from the US$2.5 million extended Working Capital Facility agreed with Noble in March 2018 along with the drawdown of the US$2.5 million from the extended Working Capital Facility agreed with Noble in July 2018, both of which are extensions of the existing fully drawn US$32.2 million Working Capital Facility;
(b) the deferral of the loan repayments on the Noble Working Capital Facility which are due to commence on 1 November 2018;
(c) securing additional funds (the “bridging funding”) of US$4.7 million before November 2018 to bridge the gap to accessing the first drawdown under a proposed project funding facility; and
(d) the receipt of project funding from a Financing Syndicate (the “Syndicate”) to complete the construction of the Boikarabelo Coal Mine (the “project funding”) on or around March 2019.

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

(a) since 30 June 2018, the Group has drawn down the remaining US$1.4 million of funds from the extended Working Capital Facility agreement of March 2018 along with US$1.0 million from the additional US$2.5 million facility agreed in July 2018. The Directors note that a proposal to restructure the debt of Noble Group has received creditor and shareholder approval. At the date of signing these accounts, the Directors remain confident that Noble will continue to honour the existing financing arrangements with the Group and will provide further support as outlined in (b), (c) and (d) below;
(b) the Group has received in principle support from Noble (subject to satisfaction of conditions precedent) in respect of the deferral of loan repayments that are currently due to commence on 1 November 2018 to 1 April 2019;
(c) the Group has received in principle support from Noble (subject to satisfaction of conditions precedent) in respect of a proposal to provide the bridging funding totalling US$4.7 million; and
(d) conditional credit committee approval for project funding has been obtained from the first of the three funding Syndicate members being the Industrial Development Corporation of South Africa Limited (IDC). Whilst the Company has been provided with verbal assurances from the remaining two lenders to the Syndicate that they will complete their credit processes by the end of October 2018, contingency planning is in place with an alternate party should this not eventuate or be unsuccessful. The Company is unable to forecast with certainty the outcome of the remaining credit approval processes and when final signed term sheets will be received. However, at the date of signing this report the Directors believe that it is reasonable to assume that Financial Close for project funding will be achieved by 31 March 2019.

Based on the proposed time line, first drawdown of the project funding would take place in late March 2019 and this would permit construction of the mine to commence with scheduled completion in June 2021. First saleable coal production would then occur in the third quarter of 2021.

Notwithstanding this, should the Group not secure the deferral of loan repayments for the Noble Working Capital Facility or the required bridging funding to reach Financial Close within the timeframe referred to above or not receive the proceeds anticipated under the project funding, there are material uncertainties as to whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

1. Summary of Significant Accounting Policies (continued)

Basis of preparation

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

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

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

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

b) Principles of consolidation

Subsidiaries including development partners

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Generation Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended. Resource Generation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

c) Segment reporting

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

d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

1. Summary of Significant Accounting Policies (continued)

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit and loss on repayment of the monetary items.

Foreign exchange differences reflect the movement of the exchange rate between the Australian Dollar and the South African Rand and the Australian Dollar and the American Dollar. The exchange rates at 30 June 2018 were 10.1426 (2017: 10.0255) and 0.740 (2017: 0.769), respectively.

(iii) Group companies

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

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

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

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

e) Revenue recognition

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

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

f) Income tax

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

g) Cash and cash equivalents

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

h) Impairment of assets

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

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

The above principles of impairment also apply to mining tenements.

i) Trade and other payables

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

j) Provisions

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

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

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

k) Contributed equity

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

l) Earnings per share

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

n) Dividends

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

o) Property, plant and equipment

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

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

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

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

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

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

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

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

p) Employee benefits

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

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

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

(ii) Retirement benefit obligations
Contributions to superannuation funds by the consolidated entity are expensed in the year they are paid or become payable.

q) Share-based payments

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

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

1. Summary of Significant Accounting Policies (continued)

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

r) Leases

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

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

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

s) Investments and other financial assets

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

- *Loans and receivables*

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

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

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

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

t) Borrowing costs

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

u) Comparative figures

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

v) New accounting standards and interpretations

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

1. Summary of Significant Accounting Policies (continued)

w) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are listed below. The impact of these has not been determined by the Group, other than AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

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

The Company has assessed the likely impact of transitioning to AASB 15 Revenue from Contracts with Customers. It is expected there will not be a material impact as the Company does not have any material revenue streams or currently generating external revenue from customers. Once trading commences and the Company starts generating external revenue, expected FY22, AASB 15 will already be in effect and therefore there will be no transition adjustment required to be assessed and booked.

AASB 9 introduces extensive changes to AASB 139 *Financial Instruments: Recognition and Measurement* guidance on the classification and measurement of financial assets and introduced a new "expected credit loss" model for the impairment of financial assets. Management have performed an initial impact assessment of the likely impact of adopting AASB 9. Provisioning for financial assets and hedge accounting is not currently applicable to the Company. AASB 9 largely retains the existing requirements in AASB 139 for the classification of the financial liabilities. AASB 9 also provides new guidance on the application of hedge accounting. It is expected that that the introduction of AASB 9 will not have a material impact on the Company, as all financial assets and liabilities are measured at amortised cost, which is similar to AASB 139.

AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and related interpretations. As at the reporting date, the Group has non-cancellable operating lease commitments of $0.055m, (refer to note 24). The Group has not yet quantified the effect of the new standard, however the following impacts are expected:

* the total assets and liabilities on the balance sheet will increase;
* the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on the lease liabilities;
* interest expenses will increase due to the unwinding of the effect interest rate implicit in the lease; and
* repayment of the principal portion of all lease liabilities will be classified as financing activities.

x) Parent entity financial information

The financial information for the parent entity, Resource Generation Limited, disclosed in note 30, has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

y) Exploration and evaluation assets

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

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

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

z) Mining tenements and mining development

Mining tenement and mining development costs are accumulated in respect of each mine. Carried costs include exploration and evaluation costs which have been transferred once the technical feasibility and commercial viability of the related mine is established (see accounting policy y) above). Development costs and overhead costs that are directly attributable to the mine development are also capitalised, together with borrowing costs incurred during the construction of the mine (see accounting policy t). Development costs related to a mine are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the mine.

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

2. Financial risk management

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

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

a) Market risk

(i) Interest rate risk
The Group is not exposed to any material interest rate risk as the Noble USD borrowing is fixed at an interest rate of 10.75% per annum. Interest on the EHL borrowing is payable at the ABSA Bank prime lending rate plus 3%. A 10% movement in the interest rate would only result in an increase/decrease in development costs of $0.2m (2017: $0.2m).

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

If the South African Rand weakened/strengthened against the Australian Dollar by 10% since 30 June 2018 the impact on the Group's net loss after tax would amount to $0.6m (2017: $0.2m). If the South African Rand weakened/strengthened against the US Dollar by 10% since 30 June 2018 the impact on the Group's net loss after tax due to retranslation of the US Dollar borrowings would amount to $6.1m (2017 : $4.2m). Other components of equity would not have been affected, with the exception of the foreign currency translation reserve which would have been increased/decreased by $3.9m (2017: $3.6m) with a 10% movement in the South African Rand against the Australian Dollar.

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

	2018 Rand '000	**2017 Rand '000**
Cash at Bank (South Africa & Mauritius)	15,515	41,119
VAT receivable	197	1,240
Mining related licence deposits	12,245	20,467
Royalty payable	16,684	18,741
Creditors and accruals	66,313	81,665
Borrowings (EHL loan)	26,217	47,255
	USD '000	**USD '000**
Cash at Bank	1	430
Borrowings (Noble loan)	45,526	32,330

(iii) Price risk
The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Group is exposed to commodity price risk to the extent it relates to funding activities and the ability to meet the economic hurdles used by the funders to assess credit risk.

b) Credit risk

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

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

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

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Cash flow forecasting monitors liquidity requirements. The Group has $6.3m (2017: $8.2m) in trade and other payables as at 30 June 2018, all of which are due within 6 months. For an assessment of the Group as a going concern, refer to note 1 a).

2. Financial risk management (continued)

d) Cash flow and fair value interest rate risk

As the Group's variable interest-bearing liabilities amount to only $2.6m (2017: $4.7m), its income and operating cash flows are not materially exposed to changes in market interest rates. The Group has $1.7m (2017: $4.7m) in interest bearing accounts which is subject to movements in interest rates. At the current level of interest rates, any risk is considered minimal.

e) Fair value estimation

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

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

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

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

Capitalisation of Mining Tenements and Mining Development expenditure

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

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

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

As at 30 June 2018 the carrying value of the capitalised Mining Tenements and Mining Development Expenditure is $161.7m (2017: $153.7m) as disclosed in note 11. In the current year $10.3m of development expenditure has been capitalised.

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

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

As at 30 June 2018 the carrying value of Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure is $32.3m (2017: $33.1m) and $161.7m (2017: $153.7m) respectively, as disclosed in notes 10 and 11.

Management has exercised judgement in determining whether indicators of impairment exist for Property, Plant and Equipment and Mining Tenements and Mining Development expenditure. Indicators were identified during the current year and the model was updated, including:

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

The financial model is sensitive to three principle assumptions being the export coal price, the discount rate and the USD/ZAR fx rate. These assumptions were varied in isolation to determine at what value would these need to be changed to in order for the recoverable amount to equal the carrying amount. These results are disclosed in note 11.

4. Segment information

4.1 Description of operating segments

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

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

4.2 Segment revenues and results

	Segment Revenue		Segment Loss	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Mining tenements and mining development	447	623	(8,987)	(848)
Corporate - unallocated	104	136	(1,355)	(1,126)
Total for continuing operations	**551**	759	**(10,342)**	(1,974)

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

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

4.3 Segment asset and liabilities

	2018	2017
	$'000	$'000
Segment assets		
Mining tenements and mining development	197,004	193,082
Corporate - unallocated	224	750
	197,228	193,832
Segment liabilities		
Mining tenements and mining development	74,416	58,975
Corporate - unallocated	324	334
	74,740	59,309

4.4 Other segment information

	Depreciation and amortisation		Additions to property, plant and equipment	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Mining tenements and mining development	365	367	6	185
Corporate - unallocated	15	20	-	-
Total	**380**	387	**6**	185

4.5 Other segment information - mining tenements and mining development

	Additions	
	2018	2017
	$'000	$'000
Segment assets		
Mining tenements and mining development	10,260	9,968
Corporate - unallocated	-	-
	10,260	9,968

4. Segment information (continued)

4.6 Geographical information

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Australia	104	136	-	18
South Africa	447	623	195,249	188,782
	551	759	**195,249**	188,800

5 Total revenue

	Consolidated	
	2018	2017
	$'000	$'000
Revenue from continuing operations		
Interest earned	218	182
	218	182
Other		
Other	333	577
	333	577
Total	**551**	759

6 Income tax (expense)/benefit

	Consolidated	
	2018	2017
	$'000	$'000
a) Income tax (expense)/benefit		
Current tax	-	1
Deferred tax	-	-
Under/(over) provided in prior years	-	-
	-	1
Income tax (expense)/benefit is attributable to:		
Profit/(loss) from continuing operations	-	1
Loss from discontinued operations	-	-
Aggregate income tax (expense)/benefit	**-**	1
Deferred income tax expense included in income tax (expense)/benefit comprises:		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-
	-	-

	Consolidated	
	2018	2017
	$'000	$'000
b) Numerical reconciliation of income tax (expense)/benefit to *prima facie* tax payable		
Loss from continuing operations before income tax (expense)/benefit	(10,342)	(1,975)
Tax benefit at the Australian rate of 30%	3,103	593
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Share-based compensation expense	(61)	(107)
Income tax benefit not recognised	(3,042)	(485)
Income tax (expense)/benefit	-	1

6 Income tax (expense)/benefit (continued)

	Consolidated	
	2018	2017
	$'000	$'000
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	18,076	16,757
Potential tax benefit at Australian tax rate of 30%	**5,423**	5,027

In addition to the above, there are unused tax losses for the subsidiaries of $12.9m (2017: $11.1m) for which a deferred tax asset of $3.6m (2017: $3.1m) has not been recognised.

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

Resource Generation Limited is in the process of reviewing the tax residency of the parent company based on the place of effective management of the parent company. The consequences of a move of the parent company's tax residency from Australia to South Africa will result in deemed disposals from a capital gains tax perspective on the investments and loans in the underlying assets. The high-level impact and consequences have been reviewed in conjunction with the Company's tax advisors, and the high-level capital gains tax loss on the deemed disposals of the investments and loans amounts to $186.7 million. With the potential change in the tax residency of the Company, the ability to use the available tax and capital losses in the future will be limited.

7 Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	$'000	$'000
Cash at bank and in hand	1,729	4,682
	1,729	4,682

8 Current assets - trade and other receivables

	Consolidated	
	2018	2017
	$'000	$'000
Receivables	37	15
Government tax refunds	45	155
	82	170

9 Current assets - deposits and prepayments

	Consolidated	
	2018	2017
	$'000	$'000
Prepayments	138	22
Deposits	30	158
	168	180

10 Non-current assets - property, plant and equipment

	Consolidated				
	Land & Buildings	**Computer Equipment**	**Office Equipment**	**Motor Vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening net book value 01 July 2016	29,414	262	92	597	30,365
Additions	-	83	102	-	185
Disposals	-	-	-	-	-
Depreciation	(14)	(122)	(39)	(212)	(387)
Effect of foreign exchange differences	2,838	19	8	53	2,918
Closing net book value 30 June 2017	32,238	242	163	438	33,081
Additions	-	-	6	-	6
Disposals	-	(3)	(6)	-	(9)
Depreciation	(15)	(122)	(39)	(204)	(380)
Effect of foreign exchange differences	(372)	(1)	(1)	(1)	(375)
Closing net book value 30 June 2018	**31,851**	**116**	**123**	**233**	**32,323**
Assets at cost	31,912	529	290	1,092	33,823
Accumulated depreciation	(61)	(413)	(167)	(859)	(1,500)
Closing net book value 30 June 2018	**31,851**	**116**	**123**	**233**	**32,323**

11 Non-current assets - mining tenements and mining development

	Consolidated	
	2018	2017
	$'000	$'000
Mining tenements and mining development	**161,719**	153,677
The Boikarabelo Coal Mine		
Opening net book value	153,677	128,644
Additions/movements	10,260	9,968
Effect of foreign exchange differences	(2,218)	15,065
Closing net book value	**161,719**	153,677

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

Interest and associated foreign exchange effects of $5.1m (2017: $2.9m) have been capitalised and included in mining development costs. The percentage of borrowing costs eligible for capitalisation was 70% (2017: 95%).

The Group's impairment accounting policy is outlined in note 1(h). At 30 June 2018, the recoverable amount of the Boikarabelo Coal Mine cash generating unit (CGU) has been estimated using a fair value less cost to sell model. The model incorporates a number of critical judgements and estimates, including with respect to the coal prices, project capital and operating expenditure, coal production and reserves, the USD:ZAR exchange rate and a risk-adjusted discount rate. As the mine is projected to have a long operating life and further substantive construction of the of mine will only commence following financial close for project funding, there is inherently a high degree of uncertainty associated with estimating the recoverable amount of the CGU.

Whilst management has estimated the recoverable amount to exceed the CGU carrying value, the model is sensitive to a number of assumptions, in particular the export coal price, the USD:ZAR exchange rate and the discount rate. The recoverable amount has been calculated using a post-tax nominal discount rate of 14.3%, a nominal export coal price of US$82.45/t from 2021 being the forecast timing of first coal production, and a USD:ZAR fx rate based on the Bloomberg forward curve that has a rate of 13.51 as at July 2018. The ZAR is forecast to weaken considerably relative to the USD thereafter.

11 Non-current assets - mining tenements and mining development (continued)

In order to reduce the recoverable amount of the CGU to its carrying amount, the following changes in each key assumption would be required, assuming the other assumptions remained as outlined above: an increase in the discount rate to 21.3%; a reduction in the 2021 export coal price to US$61.45/t; or a weakening of the USD:ZAR exchange rate to 11.02 as at July 2018. Smaller movements than noted above would be required to reduce the recoverable amount to the carrying amount if two or more assumptions changed unfavourably together.

12 Non-current assets - deposits

	Consolidated	
	2018	2017
	$'000	$'000
Mining related licence deposits	1,207	2,042
	1,207	2,042

13 Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	$'000	$'000
Trade payables	4,613	7,949
Other payables - accrued expenditure	1,689	236
	6,302	8,185

14 Current liabilities - provisions

	Consolidated	
	2018	2017
	$'000	$'000
Employee benefits - annual leave provision	563	300
	563	300

15 Non-current liabilities - provisions

	Consolidated	
	2018	2017
	$'000	$'000
Rehabilitation provision	2,150	2,175
	2,150	2,175

16 Non-current liabilities - royalties payable

	Consolidated	
	2018	2017
	$'000	$'000
Royalties payable	1,645	1,869
	1,645	1,869

Royalties are payable upon the commencement of coal production and were recognised on acquisition of Resgen Africa Holdings Limited. The royalty is calculated on the basis of ZAR2.00 per tonne of coal extracted and sold from the Boikarabelo Coal Mine to a maximum of 15.0 million tonnes. The royalty payable is discounted to present value in line with anticipated production, using a discount rate of 14.99% (2017: 10.85%).

17 Current liabilities - borrowings

	Consolidated	
	2018	2017
	$'000	$'000
EHL loan	2,076	2,142
Noble loan	17,584	10,523
	19,660	12,665

EHL loan

EHL Energy (Pty) Limited constructed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction was subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan amounted to ZAR82.5 million, is unsecured and there are 5 quarterly instalments remaining to be paid as at 30 June 2018 (2017: 9).

Noble loan

$27.0m (US$20.0m) was drawn down as an unsecured loan from Noble Resources International Pte Ltd (Noble) in March 2014. The Company signed an extension of the Facility Agreement on 3 March 2017 (ASX Announcement: 14 March 2017), whereby Noble agreed to make available further funds of up to $19.9m (US$14.7m) (2017: $11.3m (US$8.4m)) to the Company's subsidiary Ledjadja Coal (Pty) Ltd, to fund the operations and development of the mine whilst project funding is secured. $45.0m (US$33.3m) has been drawn down as at 30 June 2018. Post commencement of production, there are performance obligations under the coal export offtake contracts that must be met. The loan granted to Ledjadja Coal (Pty) Ltd gives Noble the right to appoint a Director to the Resgen Board. The additional funds have been made available on the same terms as the existing Facility and can be drawn in monthly tranches over the period to 31 July 2018. It is repayable in quarterly instalments of capital and interest over 78 months commencing in August 2018 and has an annual interest rate of 10.75%. Refer to subsequent events (note 26) for details of a further extension of the Facility and variation to the commencement date for repayment of the loan.

18 Non-current liabilities - borrowings

	Consolidated	
	2018	2017
	$'000	$'000
EHL loan	508	2,572
Noble loan	43,912	31,543
	44,420	34,115

19 Contributed equity

	Consolidated	
	2018	2017
	Shares	Shares
a) Share capital	**'000**	'000
Ordinary shares issued	**581,380**	581,380

	Consolidated	
	2018	2017
	$'000	$'000
Contributed equity	223,622	223,622
Total equity	**223,622**	223,622

b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

19 Contributed equity (continued)

c) Treasury shares - JSE clearing shares

In order to facilitate the secondary listing on the Johannesburg Stock Exchange (*JSE*), the Company was required to issue shares as a guarantee to ensure no trades failed. A subsidiary trustee company was established, Resgen Scrip Lending Pty Limited, and 5 million shares were issued on 25 June 2010 at $0.50 each. The listing on the JSE was completed on 14 July 2010. As there is now a sufficient spread of shares on the South African register, the JSE clearing shares are no longer required. In FY17 and FY18, some of the shares have been issued to KMP is respect of share-based compensation.

Date	Details	Number of shares '000	Amount $'000
01-07-2016	Opening balance	4,205	2,317
10-01-2017	Share-based compensation	(674)	(73)
30-06-2017	Share-based compensation	(1,616)	(78)
30-06-2017	Share-based compensation (shares to be issued 30 June 2018)	-	(42)
30-06-2018	Share-based compensation	(1,779)	(45)
30-06-2018	**Closing balance**	**136**	**2,079**

d) 2018

There were no share capital movements during the current financial year.

Employee share scheme issues
Employee share scheme information, including details of shares issued under the scheme, is set out in note 19 (g).

e) Movement in options

There are no options on issue as at 30 June 2018. All previously issued options expired by 30 June 2014.

f) Share-based payment reserve

	Number of rights 2018 '000	**Value of rights 2018 $'000**	Number of rights 2017 '000	Value of rights 2017 $'000
Performance share rights				
Opening balance	5,750	910	6,250	706
Employee share plan expense - apportionment of share rights over entitlement period	-	125	-	257
Performance rights forfeited*	(50)	(9)	(500)	(53)
Closing balance	**5,700**	**1,026**	5,750	910

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

g) Movement in performance share rights

Date	Details	Number of rights '000	Issue price $	Amount $'000
01-07-2016	Opening balance	6,250	-	706
30-06-2017	Share-based compensation expense	-	-	257
30-06-2017	Performance rights forfeited	(500)	-	(53)
30-06-2018	Share-based compensation expense			125
30-06-2018	Performance rights forfeited	(50)		(9)
30-06-2018	**Closing balance**	**5,700**	**-**	**1,026**

19 Contributed equity (continued)

As at 30 June 2018 there are 5 holders of the total performance share rights of 5.7 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan (LTIP) for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. During FY18, the Board approved an extension of the vesting period and a change in the performance hurdles for the performance share rights expiring during the financial year to recognise challenges with the delay in securing project funding. The modification involved rationalisation to one performance hurdle being the date on which the Company issues a Notice to Proceed to Sedgman in relation to the CHPP EPC agreement. This date will only occur after Financial Close has been achieved. The performance rights were issued by the previous Board of Directors prior to the decision to freeze LTIP pending funding of the project.

20 Reserves and accumulated losses

	Consolidated	
	2018	2017
	$'000	$'000
a) Reserves		
Other contributed equity	1,085	1,085
Share-based payment reserve	1,026	910
Treasury shares - refer note 19 c)	(2,079)	(2,124)
Foreign currency translation reserve	(38,635)	(36,781)
	(38,603)	(36,910)

	Consolidated	
Movement in reserves	**2018**	2017
	$'000	$'000
Share-based payment reserve		
Opening balance	910	706
Employee share plan expense [1]	116	204
Balance at the end of the year	**1,026**	910
Treasury shares		
Opening balance	(2,124)	(2,317)
Share-based compensation [1]	87	151
Share-based compensation (shares to be issued, vesting on 30 June 2018)	(42)	42
Balance at the end of the year	**(2,079)**	(2,124)
Foreign currency translation reserve		
Opening balance	(36,781)	(50,429)
Movement for the period [2]	(1,854)	13,648
Balance at the end of the year	**(38,635)**	(36,781)

1. These amounts appear as a combined amount of $203,000 (2017: $355,000) in the Statement of Profit or Loss and other Comprehensive Income

2. Foreign currency translation reserve movements arise from an approximate 1% depreciation of the Rand against the Australian Dollar during the year ended 30 June 2018 (2017: 9% appreciation).

	Consolidated	
	2018	2017
	$'000	$'000
b) Accumulated losses		
Opening balance	(52,189)	(50,215)
Loss for the year	(10,342)	(1,974)
Balance at the end of the year	**(62,531)**	(52,189)

21 Remuneration of auditors

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

	Consolidated	
	2018	2017
	$	$
a) Audit and review of financial reports	**137,573**	132,662
b) Other services		
Taxation and JSE sponsor services (South Africa)	21,616	20,389
Corporate consulting (South Africa)	6,031	87,155
	27,647	107,544

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

22 Related party transactions

a) Key management personnel

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

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	2,791,884	3,373,243
Long-term benefits (superannuation)	14,725	17,352
	2,806,609	3,390,595
Share-based compensation expense	104,006	206,316
Total remuneration for key management personnel	**2,910,615**	3,596,911

b) Parent entities

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

c) Subsidiaries

Interests in subsidiaries are set out in note 23.

d) Related parties

The Group has borrowings of $45.0m (US$33.3m) plus accrued interest of $16.5m (US$12.2m) from Noble Resources International Pte Limited (Noble). Noble has a 13.69% shareholding in the Company as at 30 June 2018 (2017: 13.69%).

Noble was appointed as exclusive supply chain management and marketing adviser for both export and domestic coal for a period of thirty five (35) years under which it is entitled to marketing fees. In addition, Noble has offtake agreements in respect of both export and domestic thermal coal product for a period of thirty five (35) and eight (8) years respectively. During FY18 (ASX Announcement 11 December 2017) LCL executed an agreement with Noble for the supply of additional uncontracted coal to be produced from the mine. The grant to Noble of the first right of refusal to purchase any additional coal to be produced from the mine arose during negotiations of the extension of the Facility Agreement. The Group has agreed to sell to Noble 1.1 Mt of coal per annum for years 1 to 3 and 0.2 Mt per annum from years 4 to 35. The terms of the Uncontracted Tonnage Offtake Agreement are the same as those in the Export Offtake Agreement with the price to be set by reference to an internationally recognised index at the time of each shipment.

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

The Group has entered into an agreement with the Interim Managing Director and CEO (ICEO) whereby the ICEO will arrange for negotiations in respect to an economic rail freight tariff reduction. Any such reduction in the tariff will be subject to an annual success fee payable following the signing of a contract with TFR reflecting the reduced tariff. The agreement was entered into prior to the ICEO being appointed.

From 11 December 2017 Resgen’s local subsidiary Ledjadja Coal (Pty) Ltd (Ledjadja Coal) and Noble Resources International SA (Pty) Ltd agreed that Ledjadja Coal shall be permitted to use a portion of the premises rented by Noble Resources for the purposes permitted under the lease agreement between Noble Resources and the landlord being Pivotal CCF (Pty) Ltd being corporate offices. The office rent per the Office Sharing Agreement was apportioned on 66.67%:33.33% split between Ledjadja Coal and Noble Resources based on a combination of floor space and number of people occupying the office space. During the six-month period Ledjadja Coal paid an amount of $39,935 (2017: nil).

23 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2018 %	Equity holding 2017 %
Resgen Mauritius Limited	Mauritius	Ordinary	100	100
Resgen South Africa (Pty) Ltd - owned 100% by Resgen Mauritius Limited	South Africa	Ordinary	100	100
Waterberg One Coal (Pty) Limited - owned 74% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	74	74
Resgen SA Farms (Pty) Limited - owned 100% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	100	100
Resgen Africa Holdings Limited	Mauritius	Ordinary	100	100
Ledjadja Coal (Pty) Limited - owned 74% by Resgen Africa Holdings Limited	South Africa	Ordinary	74	74
Resgen Share Plan Pty Limited	Australia	Ordinary	100	100
Resgen Scrip Lending Pty Limited	Australia	Ordinary	100	100

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

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

24 Commitments

a) Lease commitments for premises and equipment	Consolidated 2018 $'000	Consolidated 2017 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	55	241
Later than one year, but not later than 5 years	-	8
	55	249
Non-cancellable operating leases on premises and equipment	55	249
	55	249

b) EHL Loan	Consolidated 2018 $'000	Consolidated 2017 $'000
Interest repayments under the EHL loan facility as disclosed in notes 17 and 18:		
Within one year	231	525
Later than one year, but not later than 5 years	17	261
	248	786

c) Noble Loan	Consolidated 2018 $'000	Consolidated 2017 $'000
Interest repayments under the Noble loan facility as disclosed in notes 17 and 18:		
Within one year	5,739	2,083
Later than one year, but not later than 5 years	14,997	6,886
Later than 5 years	1,362	771
	22,098	9,740

d) Capital commitments

As at 30 June 2018 the Group has no commitments in respect of the development of the Boikarabelo Coal Mine (2017: $0.1 million).

Refer to events occurring after the reporting date (note 26) for details of the processing and infrastructure construction contract commitments.

There are potential property acquisitions of $11.3 million (2017: $14.7 million) one of which will lapse in November 2018 and the others contingent to events subsequent to the commencement of coal production.

25 Dividends

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

26 Events occurring after the reporting period

The Company agreed a further extension of the Facility Agreement of 3 March 2014 (Facility), under which Noble Resources International Pte Ltd will make available additional funds of up to $3.4m (US$2.5m) to the Company's subsidiary, Ledjadja Coal (Pty) Ltd to fund operations whilst project funding is secured. The total Facility made available to the Company is now $50.3m (US$37.2m).

The additional funds are to be made available on the same terms as the existing Facility and can be drawn in monthly tranches over the period to 31 October 2018. The date of commencement of loan repayments was also deferred from 1 August 2018 to 1 November 2018 with a termination date of 31 March 2025.

The Group has received in principle support from Noble (subject to satisfaction of conditions precedent) in respect of a request for a further extension of the Facility amounting to US$4.7m along with a deferral of loan repayments that are currently due to commence on 1 November 2018 to 1 April 2019.

The Company has executed three separate contracts with Sedgman (South Africa) (Proprietary) Limited and Sedgman Pty Limited for the Boikarabelo Coal Mine relating to (i) the engineering design, construction and commissioning of the CHPP; (ii) the operations and maintenance for the CHPP; and (iii) the construction of ancillary works relating to the infrastructure of the mine.

There are no other events that have occurred subsequent to the end of the financial year that have significantly affected or may significantly affect:
(i) the Group's operations in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the Group's state of affairs in future financial years.

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

	Consolidated	
	2018 $'000	2017 $'000
Loss for the year	(10,342)	(1,974)
Depreciation	380	387
Share-based compensation expense	203	355
Unrealised foreign exchange loss/(gain)	3,006	(4,257)
Interest expense on loans	1,622	-
Changes in operating assets and liabilities:		
(Decrease)/increase in trade and other payables	(1,883)	1,292
Increase in provisions	238	312
Decrease/(increase) in trade and other receivables	935	(212)
Net cash outflow from operating activities	**(5,841)**	(4,097)

28 Earnings per share

	Consolidated	
	2018 Cents	2017 Cents
a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.8)	(0.3)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(1.8)**	(0.3)
b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.8)	(0.3)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(1.8)**	(0.3)
c) Headline earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.8)	(0.3)
Total headline earnings per share attributable to the ordinary equity holders of the Company	**(1.8)**	(0.3)

28 Earnings per share (continued)

d) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2018 **$'000**	2017 $'000
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(10,342)**	(1,974)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(10,342)**	(1,974)
Headline loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(10,342)**	(1,974)

e) Weighted average number of shares used as the denominator

	Consolidated	
	2018	2017
	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**581,243,508**	577,849,388
Weighted average number of ordinary shares used as the denominator in calculating headline earnings per share	**581,243,508**	577,849,388

f) Information concerning the classification of securities

Performance share rights

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

29 Contingent liabilities

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

	Consolidated	
	2018 **$'000**	2017 $'000
Guarantee for rehabilitation	2,216	2,175
Less: Funds available on GuardRisk policy	(1,119)	(909)
Contingent liabilities at the end of the year	**1,097**	1,266

30 Parent entity financial information

a) Summary financial information

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

	Parent	
	2018	2017
	$'000	$'000
Balance sheet		
Current assets		
Cash and cash equivalents	199	580
Trade and other receivables	32	32
Deposits and prepayments	-	121
	231	733
Non-current assets		
Property, plant and equipment	-	18
Investments	73,831	73,915
Related party loans	117,755	119,788
	191,586	193,721
Total assets	191,817	194,454
Current liabilities		
Trade and other payables	323	336
	323	336
Total liabilities	323	336
Net assets	**191,494**	194,118
Shareholders' equity		
Contributed equity	223,622	223,622
Reserves		
Share-based payment reserve	1,026	909
Other contributed equity	1,085	1,085
Accumulated losses	(34,239)	(31,498)
Total equity	**191,494**	194,118
(Loss)/profit for the year	**(2,741)**	8,735
Total comprehensive (loss)/profit	**(2,741)**	8,735

b) Guarantees entered into by the parent entity

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

Letters of support have been provided to all subsidiaries to confirm that the parent entity will continue to provide financial support to enable them to continue in operation for 12 months from 17 September 2018. In addition, the parent entity has subordinated certain loan receivables owing by the subsidiary companies.

c) Contingent liabilities of the parent entity

As at 30 June 2018, the parent entity had no contingent liabilities.

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

As at 30 June 2018, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 41 are in accordance with the *Corporations Act 2001* , including:

  (i) complying with accounting standards and the *Corporations Regulations 2001* ; and
  (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of the performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) note 1 a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

(d) the Directors have been given the declarations by the Interim Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001* .

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

L Xate
Chairman
Johannesburg
17 September 2018

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resource Generation Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies , and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a net loss of $10.3 million (2017: $2.0 million) and used net cash in operating activities of $5.8 million (2017: $4.1 million) during the year ended 30 June 2018. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors as to knowledge of events and conditions that may impact the assessment of the Group's ability to continue as a going concern,
- Challenging the assumptions contained in management's forecast in relation to the Group's ability to continue as a going concern,
- Comparing the cash flow forecasts with the Board approved budgets, and
- Assessing the adequacy of the disclosure related to going concern in Note 1(a)

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Capitalisation of Mining Tenements and Mining Development expenditure

As at 30 June 2018, the carrying value of capitalised Mining Tenements and Mining Development expenditure is $161.7 million as disclosed in Note 11. In the current year, $10.3 million of development expenditure has been capitalised.

Management is required to exercise judgement in determining whether development expenditure incurred meets the criteria for capitalisation, including:

Assessing whether costs are directly attributable to bringing the mine to the location and condition necessary for operating as intended; and
Assessing whether it is probable that the expenditure will result in future economic benefits.

</td><td>
Our audit procedures included, but were not limited to:

Testing the design, implementation and operating effectiveness of key controls management has in place to determine whether costs meet the criteria for capitalisation;
Evaluating management’s assessment of development costs incurred during the year, including additions to the capitalised Mining Tenements and Mining Development asset;
Obtaining an understanding of the current status of the mine development including key activities undertaken during the year;
Testing on a sample basis costs capitalised during the year and agreeing to supporting documentation in order to understand the nature of the cost and assess whether it meets the criteria for capitalisation; and
Testing whether borrowing costs, which includes interest and foreign exchange differences on foreign currency borrowings, meet the criteria for capitalisation.

We also assessed the appropriateness of the disclosures in Notes 1(z), 3 and 11 to the financial statements.
</td></tr>
<tr><td>
Impairment assessment for Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure

As at 30 June 2018, the carrying value of Property, Plant and Equipment and Mining Tenements and Mining Development expenditure is $32.3 million and $161.7 million respectively as disclosed in Notes 10 and 11.

As management concluded that an indicator of impairment existed, being the increase in the discount rate, management is required to exercise significant judgement in estimating the recoverable amount of the Group’s Cash Generating Unit (“CGU”) (the Boikarabelo Mine) using a Fair Value Less Costs to Sell Model.
</td><td>
Our audit procedures included, but were not limited to:

Testing the design and implementation of key controls management have in place to assess the indicators of impairment and estimate the recoverable amount of the Group’s CGU;
In conjunction with our valuation specialists, we assessed and challenged:

Management’s assessment of indicators of impairment for the Group’s CGU. This included evaluating management’s responses and corroborating responses where appropriate; and
Management’s Fair Value Less Costs to Sell Model. This included:

Benchmarking and analysing the key assumptions in management’s Fair Value Less Costs to Sell Model which included the coal price assumptions, the discount rate and the exchange rate applied against external data;
Understanding and evaluating the estimated future operating and capital costs and where possible, agreeing these to external contracts and quotes;
Assessing that forecast total coal production was not higher than coal reserves estimated by external specialists; and
Performing sensitivity analysis on the coal price, discount rate and exchange rate assumptions.

We also assessed the appropriateness of the disclosures in Notes 1(h), 3, 10 and 11 to the financial statements.
</td></tr>
</table>

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 13 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Resource Generation Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 17 September 2018

Unaudited Supplementary Information - Translation of financial information to the South African Rand

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

	2018	2017
Cumulative average rate of exchange (A$/Rand)	9.9494	10.2461
Closing rate of exchange (A$/Rand)	10.1426	10.0255

Statements of comprehensive income - ZAR convenience translation (Unaudited Supplementary Information)
For the year ended 30 June 2018

	Consolidated	
	2018	2017
	R'000	R'000
Interest revenue	2,165	1,865
Other	3,313	5,912
	5,479	7,777
Administration, rent and corporate	(31,949)	(36,947)
Depreciation of property, plant and equipment	(3,781)	(3,965)
Employee benefits expense	(24,545)	(27,050)
Finance expenses	(16,178)	(31)
Share-based compensation expense	(2,020)	(3,637)
Unrealised foreign exchange movements	(29,908)	43,618
Loss before income tax	(102,902)	(20,235)
Income tax benefit	-	10
Loss from continuing operations	(102,902)	(20,225)
Loss for the year	**(102,902)**	(20,225)
Other comprehensive (loss)/income	(18,446)	139,839
Total comprehensive (loss)/income	(121,349)	119,614
Loss is attributable to:		
Owners of Resource Generation Limited	**(102,902)**	(20,225)
Total comprehensive (loss)/income for the year is attributable to:		
Owners of Resource Generation Limited	(121,349)	119,614
Loss per share for loss from continuing operations	**Cents**	Cents
Basic loss per share	**(17.7)**	(3.5)
Diluted loss per share	**(17.7)**	(3.5)

Balance Sheets - ZAR convenience translation (Unaudited Supplementary Information)
As at 30 June 2018

	Consolidated	
	2018	2017
	R'000	R'000
Current assets		
Cash and cash equivalents	17,538	46,935
Trade and other receivables	832	1,704
Deposits and prepayments	1,704	1,805
	20,074	50,444
Non-current assets		
Property, plant and equipment	327,840	331,653
Mining tenements and mining development	1,640,256	1,540,685
Deposits	12,242	20,472
	1,980,338	1,892,810
TOTAL ASSETS	**2,000,412**	1,943,254
Current liabilities		
Trade and other payables	63,914	82,054
Provisions	5,710	3,008
Borrowings	199,404	126,973
	269,028	212,035
Non-current liabilities		
Provisions	21,807	21,805
Borrowings	450,536	342,019
Royalties payable	16,685	18,738
	489,028	382,562
TOTAL LIABILITIES	**758,056**	594,597
NET ASSETS	**1,242,356**	1,348,657
Equity		
Contributed equity	2,229,377	2,229,377
Reserves	(352,798)	(357,501)
Accumulated losses	(634,223)	(523,219)
TOTAL EQUITY	**1,242,356**	1,348,657

Cash Flow Statements - ZAR convenience translation (Unaudited Supplementary Information)
For the year ended 30 June 2018

	Consolidated	
	2018	2017
	R'000	R'000
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of government charges)	(60,234)	(43,824)
Interest received	2,169	1,865
Finance costs	(50)	(31)
Taxation refunds	-	10
Net cash outflow from operating activities	(58,115)	(41,980)
Cash flows from investing activities		
Payments for property, plant and equipment	(60)	(1,896)
Payments for mining tenements and mining development	(50,245)	(68,373)
Net cash outflow from investing activities	(50,305)	(70,269)
Cash flows from financing activities		
Repayment of borrowings	(24,883)	(28,669)
Drawdown of borrowings	104,180	69,981
Net cash inflow from financing activities	79,297	41,312
Net decrease in cash and cash equivalents	(29,123)	(70,937)
Cash and cash equivalents at the beginning of the year	46,935	131,421
Effects of exchange rate movements on cash and cash equivalents	(274)	(13,549)
Cash and cash equivalents at the end of the year	**17,538**	46,935

Foreign currency reserve movements represent an appreciation of the A$ against the Rand of 1.2% (2017: 8.8% depreciation).

Coal Resources and Coal Reserves

1. Coal Mining Tenements

The Mining Rights tenement holdings and % interest listed below have remained unchanged during the past 12 months.

	Type	Right Number	Holder	Interest	Area (km^2)
a)	**Mining Rights (Boikarabelo Coal Mine)**				
	Witkopje (Ledjadja #1)	169MR	Ledjadja Coal (Pty) Limited	74%	17
	Draai Om (Ledjadja #2)	169MR	Ledjadja Coal (Pty) Limited	74%	11
	Kalkpan (Ledjadja #3)	169MR	Ledjadja Coal (Pty) Limited	74%	13
	Osorno (Ledjadja #4)	169MR	Ledjadja Coal (Pty) Limited	74%	11
	Zeekoevley (Ledjadja #5)	169MR	Ledjadja Coal (Pty) Limited	74%	13
	Vischpan (Ledjadja #6)	169MR	Ledjadja Coal (Pty) Limited	74%	12
	Kruishout (Ledjadja #7)	169MR	Ledjadja Coal (Pty) Limited	74%	12

The Prospecting Rights tenement holdings and % interest for Waterberg One Coal (Pty) Ltd have changed during the past 12 months.

	Type	Right Number	Holder	Interest	Area
b)	**Prospecting Rights (Waterberg One Coal Project)**				
	Koert Louw Zyn Pan (Waterberg #1)	PR678/2007	Waterberg One Coal (Pty) Limited	74%	14
	Lisbon (Waterberg #2)	PR720/2007	Waterberg One Coal (Pty) Limited	Relinquished	
	Zoetfontein (Waterberg #3)	PR720/2007	Waterberg One Coal (Pty) Limited	Relinquished	

The Company has received final confirmation being closure certificates issued by the DMR to Waterberg One Coal (Pty) Ltd in respect of the Lisbon tenement (previously referred to as Waterberg #2) and Zoetfontein tenement (previously referred to as Waterberg #3), that were issued under PR720/2007. These tenements were distant from the Boikarabelo Coal Mine and contained minimal Coal Resources that were not included in the declared JORC Coal Resources Statement.

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

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

2. Coal Resources Statement as at 30 June 2018

	Inferred Resource (Mt)	Indicated Resource (Mt)	Measured Resource (Mt)	2018 Total Resource (Mt)	2017 Total Resource (Mt)
Ledjadja #1 S & Ledjadja #3 (i)	-	84.0	910.8	994.8	994.8
Ledjadja #1 N & Ledjadja #2 (ii)	1,479.6	-	-	1,479.6	1,479.6
Waterberg #1 (i)	-	981.1	-	981.1	978.0
Total	**1,479.6**	**1,065.1**	**910.8**	**3,455.5**	**3,452.4**

(i) Determined by applying the JORC Code 2012.

(ii) This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Resource Statement for Ledjadja #1 N and Ledjadja #2 will be subject to review and update under the JORC Code 2012 once the additional boreholes have been completed and the geological model updated. It will be released to the market once the review and update has been completed and approved.

Coal Resources

The Coal Resources estimate for the Boikarabelo Coal Mine Project, comprising of the areas referred to as Ledjadja #1 S, Ledjadja #1 N and Ledjadja #3, have not changed. The planned open-pit area is situated on Ledjadja #1 S and Ledjadja #3 only.

The Coal Resources estimate for Waterberg One Coal Project area has changed. The previously Measured Coal Resources of 426.3 million tonnes and Indicated Coal Resources of 551.7 million tonnes (total of 978 million tonnes) is now estimated as 981.1 million tonnes and is classified as Indicated Coal Resources only. The change is due to the Coal Resources being updated using the JORC Code 2012 whereas previously these had been reported under the JORC Code 2004. The change at 30 June 2018 is further attributable to the realignment of the coal quality specification from a single domestic product of 19.5 MJ/kg calorific value to a dual product for export coal having a 14% ash content and for domestic markets with a 19.5 MJ/kg calorific value, in line with the adjacent Boikarabelo Coal Resources.

Coal Resources and Coal Reserves

2. Coal Resources Statement as at 30 June 2018 (continued)

Coal Resource governance

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

Competent Persons' statements

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

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

3. Coal Reserves Statement as at 30 June 2018

	2018 Probable Reserve	2017 Probable Reserve
	(Mt)	(Mt)
Ledjadja #1 S & Ledjadja #3 [(i)]	267.1	267.1
Total	**267.1**	267.1

(i) The Coal Reserves information for Ledjadja #1 S & Ledjadja #3 has been updated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, (The JORC Code, 2012 Edition).

Coal Reserves

The Marketable Coal Reserves for Ledjadja #1 S & Ledjadja #3 have not changed during the financial year and remains 267.1 million tonnes and are

* an export quality product with an average of 14% ash and an average 25.73 MJ/kg calorific value determined on an Air Dried (AD) basis; and
* a domestic power station product with an average 19.5 MJ/kg calorific value and an average 31.43 % ash determined on an AD basis.

The export quality product has an average yield of 23.68% and the domestic power station product has an average yield of 19.61 %. This equates to an overall average yield of 43.3%.

There have been no further studies done for Waterberg #1 and a new mine plan based on a dual product as for Ledjadja will be done in the future. This new mine plan for Waterberg #1, will be based on similar economic factors and a dual product as is used for Ledjadja #1 S & Ledjadja #3. This new mine plan will be developed once the Boikarabelo Coal Mine is operational and released to the market once the review and update has been completed and approved.

Competent Person's statement

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

4. Annual Review

The Company confirms that on 30 June 2018 it has reviewed the JORC 2012 Mineral Resource and Reserve Estimate as presented in this report and is not aware of any new information or data that materially affects the ASX announcement of 27 January 2017 'Statement of Coal Resources and Coal Reserves for Resource Generation Limited' and in the case of estimates that all material assumptions and technical parameters underpinning the Mineral Resource and Reserve Estimate in that announcement continue to apply and have not materially changed as at 30 June 2018. The Company also confirms that the form and context in which the Competent Persons' findings are presented have not materially changed from the format upon which original consents were obtained.

Corporate directory

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Colin Gilligan
Peter Watson
Rob Croll
Manish Dahiya
Dr Konji Sebati

Joint Company Secretaries
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Brendan O'Regan

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Stock Exchange Listing
Securities of Resource Generation Limited are listed on both the Australian Stock Exchange and the Johannesburg Stock Exchange.
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