



ANNUAL REPORT **2019**



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Forward-looking statements

This integrated annual report may contain forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions. You are cautioned not to place undue reliance on forward-looking statements. Any such statements, opinions and estimates in this report are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates.

Forward-looking statements are provided as a general guide only. The forward-looking statements contained are not indications, guarantees or predictions of future performance, and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Group, and may involve significant elements of subjective judgement and assumptions as to future events, which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. The forward-looking statements are based on information currently available to the Group.

About this report

This report seeks to provide an overview of the business intent, strategy and business of Resource Generation Limited (Resgen, the Company or the Group) and its controlling entities including Ledjadja Coal (Pty) Ltd (Ledjadja) for the 2019 financial year (1 July 2018 to 30 June 2019).

Resgen's primary listing is on the Australian Stock Exchange (ASX:RES). It has a secondary listing on the Johannesburg Stock Exchange (JSE:RSG) in South Africa where its assets are based. The contents of this report have been planned against the background of regulatory obligations, and the interests of shareholders and stakeholders, and take account of the following specific reporting guidelines:

- the listings requirements of the ASX and JSE;
- the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012 Edition);
- elements of the Global Reporting Initiative (GRI) and International Integrated Reporting Council (IIRC); and
- the reporting standards of the Public Investment Corporation SOC (PIC), a significant shareholder, with focus on environmental, social and corporate governance (ESG) criteria.

This report should be read in conjunction with the Corporate Governance Statement, which is prepared in accordance with the ASX Corporate Governance Principles and Recommendations (3rd Edition) and which can be located on the website at www.resgen.com.au/investors-and-media/governance.

Statement of responsibility by Directors

The Board, assisted by the Audit Committee, is ultimately responsible for overseeing and ensuring the integrity and completeness of this integrated annual report. The Board applied its collective mind in reviewing the preparation and presentation of this report. Each of the Directors considers that the report, as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Group's strategy, business model and operating performance.

The report was approved by the Board and signed on its behalf by:



Lulamile Xate

Chairman

08 October 2019

Corporate profile

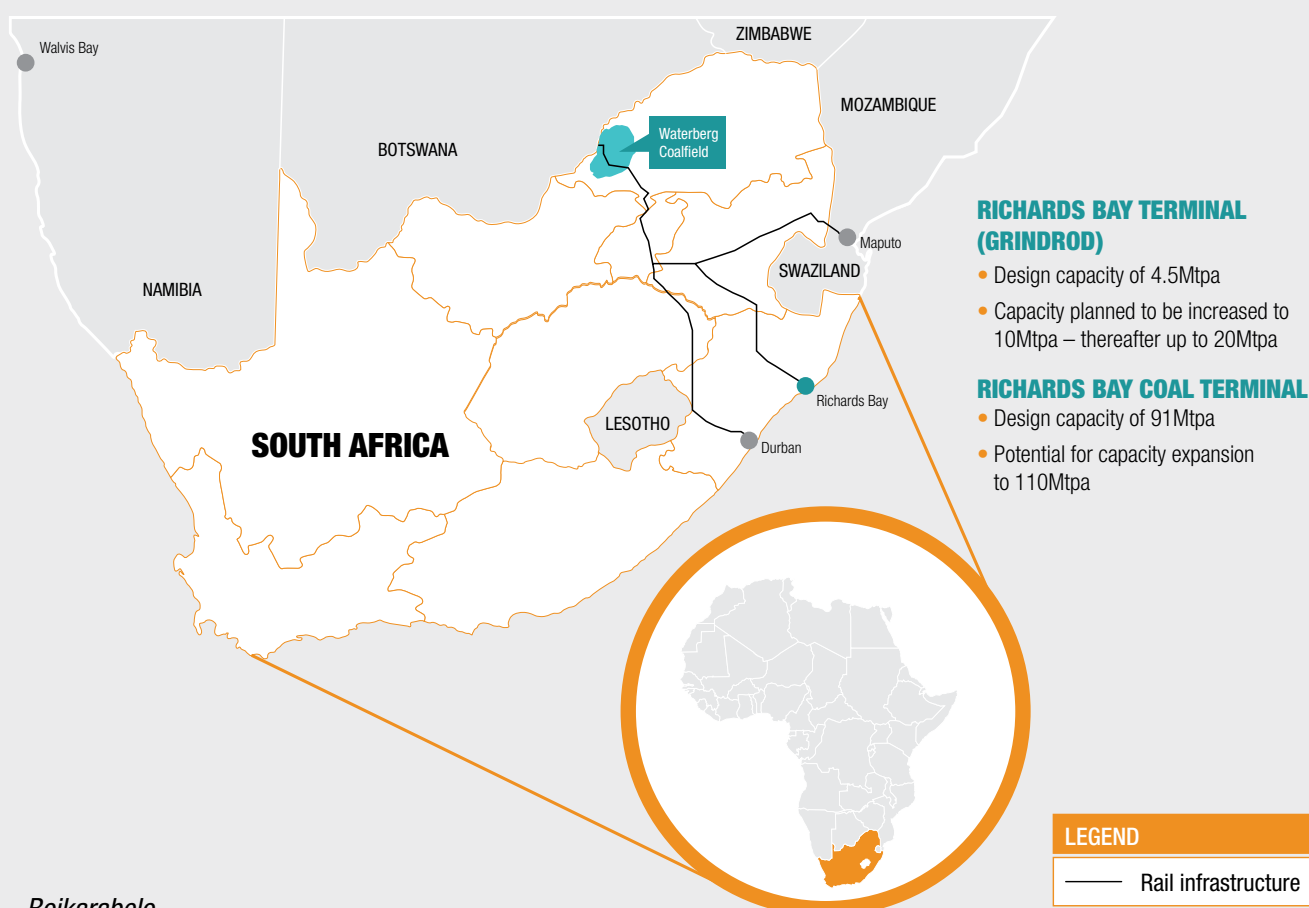
About Resgen

Resgen is a new-generation, emerging coal producer. The Group is the owner of the rights to a large and defined Coal Resource in South Africa's Waterberg coalfield. Through its fully empowered operating subsidiary, Ledjadja Coal (Pty) Ltd (Ledjadja), Resgen is working on developing and constructing the Boikarabelo coal mine (Mine).

Boikarabelo is a pioneer in opening the Waterberg coalfield, the next viable coal reserve in South Africa, and will make a significant contribution to the local economy and the country. The mine will also create a large number of permanent jobs.

A key objective of South Africa's National Development Plan is unlocking the enormous potential of the country's Northern Minerals Belt, using the Waterberg coalfield as a catalyst. In this, we expect to play a pivotal and pioneering role. And, where we lead, we hope others will soon follow.

EXISTING RAIL INFRASTRUCTURE ALLOWS FOR ACCESS TO MAJOR PORTS



Boikarabelo

Boikarabelo is situated in the Limpopo province's Waterberg coalfield. The Waterberg is host to approximately 40% of South Africa's known coal resources. The Boikarabelo Coal Resource stands at 995Mt. Annual production is planned at 6Mt of high-quality product coal, which will supply local and global customers.

Boikarabelo will be connected to an existing rail system that will allow access to domestic markets and the coal terminals of Richards Bay for export shipments. This is planned through construction of a 44km rail loop and link, which will join the main Transnet national rail network.

Project status and funding

Terms have been agreed with an established and reputable engineering, procurement and construction (EPC) contractor to build the coal handling and preparation plant (CHPP), and to undertake the ancillary civil engineering and construction works. The CHPP contractor will also have the right to operate the CHPP for a period of four years once construction has been completed. This execution strategy assists in transferring risk associated with defects and delay from the Group to the EPC contractors.

A preferred mining contractor has been identified and the general terms of the mining contract have been agreed. The mining plan aims to maximise recovery of the coal deposit by mining all seams and minimising waste with a focus on increasing productivity and reducing operating costs.

During the 2019 financial year, the Group was able to secure credit proposals for construction of the Mine from three parties in a proposed Lending Syndicate. Subsequent to year end the Group continued negotiations with the objective of agreeing common term sheets for a mine construction funding package totalling R4.2 billion (approximately A\$420 million at current exchange rates). The terms are only expected to be

binding on all parties once full finance documents are completed and executed. In addition it is expected that the Lending Syndicate will specify certain conditions precedent prior to allow drawdown under an agreed facility. These conditions will need to include obtaining Shareholder approval.

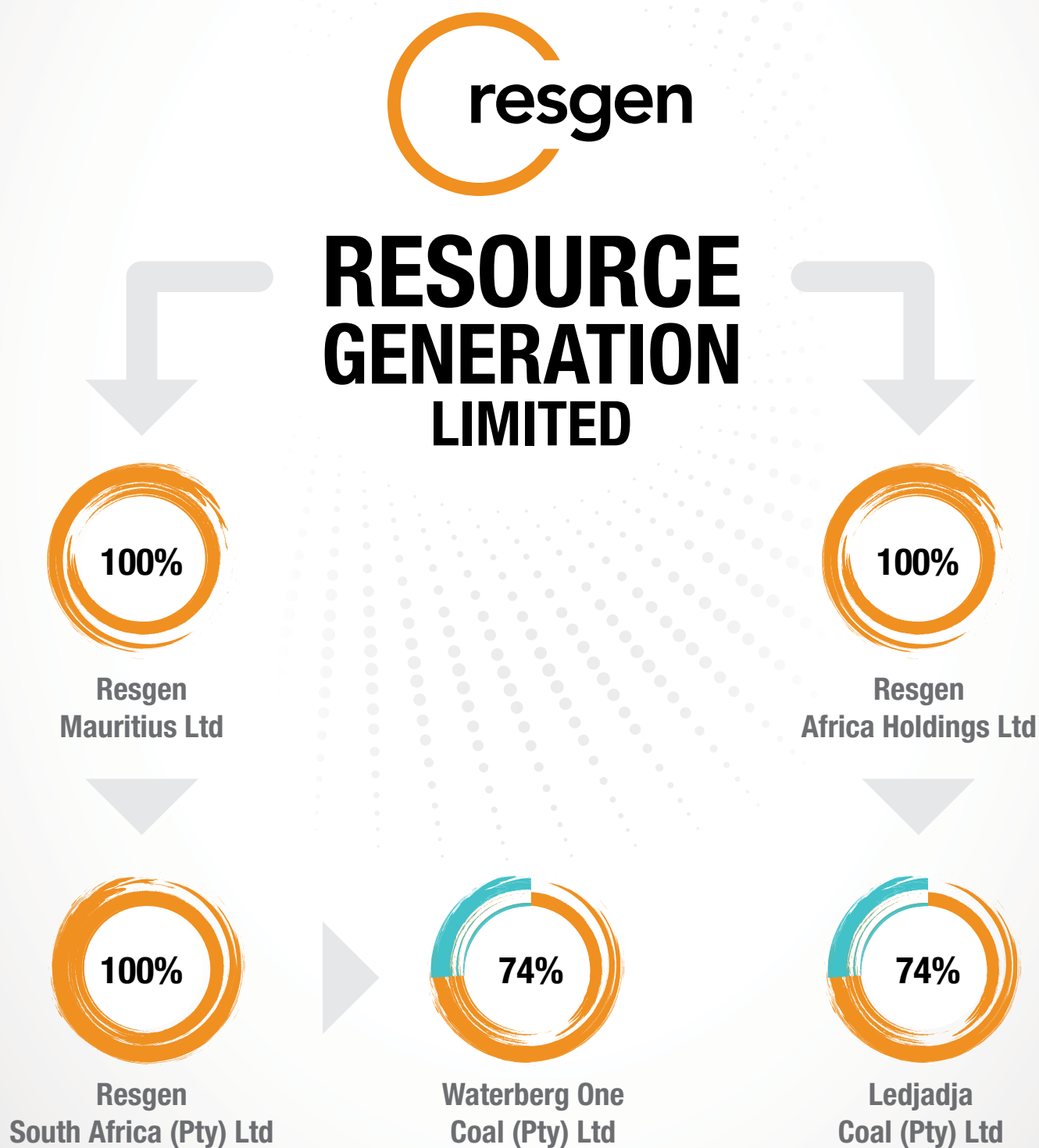
The rail link negotiations for a funding package of R750 million (approximately A\$75 million at current exchange rates) are at an advanced stage. Finalisation of a fully funded, unconditional, rail link agreement is expected to be a condition precedent attached to the proposed mine construction funding.

In the lead-up to commissioning of the Mine, the Group will also need to raise ramp-up working capital currently estimated as being R500 million (approximately A\$50 million at current exchange rates). This is currently intended to be done through an application with a commercial bank.

Further infrastructure establishment and construction will start once project funding has been finalised (Financial Close) and is currently targeted for on or before 28 February 2020 with first coal deliveries scheduled for 2H of 2022.



Organisational structure



Chairman's statement

Dear Shareholder

The continued efforts and resilience of our Team during the course of the 2019 financial year finally came to fruition in late June with all three members of the proposed Lending Syndicate proposing credit terms for the construction of the mine. This was a major accomplishment but we must not underestimate the task ahead to reach the position where funds can be drawn down to commence site work.

Our small team has started the new financial year with a significant work programme to achieve our stated objective of financial close for funding by the end of February 2020. The immediate focus is on consolidating the terms offered by the three Lenders into one common term sheet. I am hoping that this task will have been finalised and announced by the time that the Annual Report is ready for release.

In conjunction with activities associated with agreeing a common term sheet for the mine construction funding, the Team is also working to agree terms with a party expressing interest in funding the required 44km rail infrastructure linking the mine to the Transnet main line. We are hopeful of achieving a successful outcome in the coming months.

Following the national elections in May 2019, the South African government has committed to rebuilding the foundations of the economy by revitalising and expanding the productive sectors. Priority is being given to sectors of the economy with the greatest potential for growth and employment. We are confident that this impetus will translate into slowing input cost pressures and increased support for research and development activities.

Towards the end of the 2018 calendar year, the coal supply difficulties faced by Eskom were comprehensively covered in the media. These problems and the need to lock in long-term stable supply have provided the Company with renewed confidence that a domestic offtake agreement can be struck with Eskom in the lead-up to forecast first production at Boikarabelo.

The latest draft of South Africa's Integrated Resource Plan was recently published for comment and we have been keenly following the developments. While we welcome the introduction of renewable sources as part of the energy mix, it is clear that coal will continue to play a substantial role in the foreseeable future.

The current pipeline of coal-fired power stations in Asia is expected to support 2-3% p.a. growth in seaborne thermal coal demand for the next 10 years. However, supply growth looks to be constrained, based on commitment to mine developments. The widening gap between demand and supply should support seaborne thermal coal prices at levels in excess of the marginal cost of production, which are below current spot prices. It is against the domestic and international backdrop that Resgen is aiming to play a part in the coal supply chain, leveraging its significant in ground coal resources.

We appreciate the continued patience and encouragement expressed by Shareholders during this period when funding progress has not been at the pace that anyone would have desired. Once again Noble Group has demonstrated, in a tangible fashion, its support for the Company and the Boikarabelo Project through the extension of additional funding under the working capital facility. For this, we are most grateful.

Finally, I must thank my fellow Board Members and our determined Management Team, led by Papi Molotsane, for their advice, support and unfaltering focus on achieving our stated goals.



Lulamile Xate

Chairman

30 September 2019

Interim Managing Director and Chief Executive Officer's review

I am pleased to present my second report to Shareholders and other Stakeholders.

Project funding status

The past financial year was marked by an unflinching focus of the Management Team on achieving financial close for the Boikarabelo Project. Our patient but persistent approach with the proposed Lending Syndicate included regular meetings, updating Independent Technical Expert (ITE) reports and responding to due diligence enquiries. While delays were encountered with one of the proposed Lenders finalising their governance procedures, it was most satisfying to finally report that we had secured funding proposals from all three Lenders of the Syndicate for the total sum required to construct the mine.

The first two months of the 2019/20 financial year have involved consolidating the funding proposals into one common term sheets. This has proved more challenging than initially expected but I am pleased to report that there has been steady progress.

The road ahead to financial close still involves a significant and challenging work programme. I deal with the high-level aspects towards the end of my report.

Cost reduction focus

Due to the delays in securing funding offers to construct the Mine, we had, once again, to approach Noble for working capital support. The faith that Noble has consistently demonstrated in our Project is not lost on us. While we have, on the one hand, secured access to an increased working capital facility, we have, on the other hand, also imposed a strict cash conservation regime, which included a rigorous review of all contracting and procurement arrangements, and a headcount reduction across all levels within the organisation.

New Mining Charter

The 2018 Mining Charter was gazetted late in the calendar year. It was issued to remove ambiguities in the previous Charter and bring about regulatory certainty by introducing new definitions, terms and targets to harmonise with other legislation.

Historical black economic empowerment (BEE) shareholding targets for operations with a Mining Right have remained unaffected while companies applying for a new Right must now have a structured BEE shareholding of 30%. What is clear in the Charter is the drive by National Government to ensure goods and services are procured from local companies with locally manufactured content. Mining companies have been allowed a transition period of five years to comply with the targets which is key to ensuring that a Mining Right continues to be held in good standing.

On behalf of the industry, the Minerals Council South Africa has filed an application for a judicial review and setting aside of certain clauses of the 2018 Mining Charter. We look forward to the resolution of this matter.

Operation readiness planning

In parallel with progressing mine funding with the proposed Lending Syndicate, we have continued efforts to secure an offer of terms to construct the required 44km railway line to link the Boikarabelo mine with the existing Lephalale railway line. Progress has also been made on finalising mining and logistics contracts.

We have prepared an operational readiness schedule, which covers key project activities and milestones post the issuance of a 'Notice to Proceed' to the EPC contractor for the development of the Mine.

Concurrent with these developments, our stakeholder engagement has continued its information sharing and dialogue with the local community.

The road ahead

Our Project remains fully permitted with all major contracts in place or under final negotiation, water and electricity supply arrangements secured and a logistics solution substantially in place. All Independent Expert Technical Reports prepared for securing project finance were completed in October and November 2018 with no fatal flaws having been identified. We now need to complete the agreement of commercial terms for Project funding, prepare the supporting finance documentation, meet the expected conditions precedent (including Shareholder approval) and issue the EPC Contractor with a Notice to Proceed.

We acknowledge that the task of comprehensively documenting, in a legal form, the terms of all proposed Project agreements is going to be a time-consuming and significant exercise. We are reviewing our resources and skills requirements to ensure that upon financial close, we are ready to move forward with speed.

Closing

In closing, I would like to thank my staff for their support and commitment, and the Board for their counsel and assistance in this my first full year at the helm.



Leapeetswe 'Papi' Molotsane

Interim Managing Director and
Chief Executive Officer
30 September 2019

Board of Directors and Executive Management

BOARD OF DIRECTORS

1: Lulamile Xate (Age: 57)**South African****Non-executive Chairman**

Completed articles at PricewaterhouseCoopers (PwC); extensive business experience, having developed several successful businesses in the fishing, gas and forestry industries; Founding Member and Director of Altius Investment Holdings (Pty) Ltd (Altius), a significant Shareholder in Resgen

2: Rob Croll (Age: 67)**British****Lead Independent Non-executive Director**

Mining engineer with over 40 years' experience; served in senior management positions in De Beers Consolidated Mines Ltd and Anglo American Corporation of South Africa Ltd; played a major role in managing the due diligence process for acquisitions for AngloGold Ashanti Ltd

3: Colin Gilligan (Age: 53)**Australian****Independent Non-executive Director**

Mining engineer with extensive experience in contract mining and project construction; 30 years' experience, including General Manager and Chief Operating Officer (COO) of coal mining companies; as COO of Coalspur Mines Ltd, a key participant in raising a US\$350 million debt facility

4: Dr Konji Sebati (Age: 67)**South African****Independent Non-executive Director**

Medical practitioner and Chief Executive Officer (CEO) of Innovative Pharmaceutical Association South Africa; practised in the public sector, specialising in rural child health; joined the private sector and served in senior positions in South Africa and the US with Roche and Pfizer; appointed South African

Ambassador to Switzerland in 2004 and Ambassador to France in 2008

5: Leapeetswe (Papi) Molotsane (Age: 60)**South African****Managing Director and Chief Executive Officer (Interim)**

Distinguished business career, having served as Board member and CEO of Telkom; served as Group Executive of Transnet and CEO of Fedics

6: Gregory Hunter (Age: 55)**South African****Non-executive Director**

Mining engineer with 27 years' experience in the resources industry; worked in various senior positions in the mining industry across the African continent; extensive experience in the resource finance sector; currently employed in a senior position with Noble Group

7: Michael Gray (Age: 51)**Australian****Independent Non-executive Director**

Civil engineer with MBA; more than 25 years' experience in the planning, approval, financing and development of resource and infrastructure projects; over the past 15 years, focused on greenfield coal project development; currently employed as Project Director on the Bluff Coal Project, Australia's newest operating coal mine

8: Manish Dahiya (Age: 41)**Indian****Alternate Non-executive Director for Gregory Hunter**

Global Head of Energy Coal and Liquefied Natural Gas (LNG) at Noble; with Noble Group since 2009; prior to joining Noble, worked with BHP Billiton for five years in commercial roles, based in Singapore

DIVERSITY



14.2%
Women



42.9%
Historically disadvantaged
South Africans

TENURE OF
BOARD MEMBERS

3-5 years: 5
>5 years: 0
<3 years: 2

SKILLS AND EXPERIENCE



71%
Coal and
energy sector



43%
Project development



43%
Risk management



85%
Leadership and
governance



57%
Mining



71%
Financial



43%
Sales and marketing



71%
Government and/or
community relations

EXECUTIVE MANAGEMENT

1: Leapeetswe (Papi) Molotsane (Age: 60)

South African

**Managing Director and
Chief Executive Officer (Interim)**

Distinguished business career, having served as Board member and CEO of Telkom; served as Group Executive of Transnet and CEO of Fedics

2: Vacant

Chief Financial Officer

Currently covered by Ettienne Ferreira (Financial Manager) and Luyanda Poswa (Financial Manager)

3: Zirk van der Bank (Age: 48)

South African

Chief Operating Officer

Mining engineer with more than 20 years' experience in the coal sector; held a range of supervisory and management positions at Sasol Mining (Pty) Ltd, Moolmans Mining (now Aveng Moolmans (Pty) Ltd), Shanduka Coal and Glencore Coal SA

4: Hennie van den Aardweg (Age: 60)

South African

General Manager

Mining and electrical engineer with more than 30 years' experience, mostly in South African underground and open-cut coal mines; previously with Total South Africa (Pty) Ltd and Duiker; good understanding of South African coal geology, mining and beneficiation

5: Sechaba Selibe (Age: 45)

South African

Head of Marketing and Logistics

Chemical engineer with MBA; 21 years' experience in the mining and metals industry; worked as metallurgist and marketing manager with BHP Billiton Ltd; Vice President at Noble responsible for origination and trading

6: Mike Meintjes (Age: 58)

Australian

Company Secretary

Chartered Accountant with over 30 years' experience in professional services with EY; since 2012, involved as Company Secretary and Financial Adviser with several ASX-listed junior resource companies



Decision-making processes and oversight

Resgen is committed to maintaining robust standards of corporate governance. The Group's approach to corporate governance is guided by the principles of fairness, accountability, responsibility and transparency.

Governance underpins the Board's decision-making processes and oversight role. In this regard, the Board has sought to establish a culture that is driven by an ethical and values-based approach. Resgen's "licence to operate" and its approach to sustainability depend on being a responsible corporate citizen.

The Group has adopted all relevant ASX Corporate Governance Principles and Recommendations and has given due consideration to any additional South African-based guidance requirements. Compliance with the ASX Corporate Governance Principles and Recommendations has been set out in the [2019 Corporate Governance Statement] released to the ASX and JSE and included on the website at www.resgen/aboutus/governance at the same time as the release of this report.

A summary of the Company's corporate governance structures is set out below.

Board composition and Charter

The Board currently comprises seven members. At year-end, a majority (four) of these were Independent Non-executive Directors, namely Dr Konji Sebati, Colin Gilligan, Rob Croll (Lead Independent Director) and Michael Gray. A brief summary of the skills, experience and expertise of each Director, who is in office at the date of this report is set out on page 6.

Five of the seven Directors were elected to the Board on 26 November 2015 and were in office for approximately 3.5 years at 30 June 2019. The remaining two Directors were appointed during the year to fill casual vacancies and will stand for election at the 2019 AGM.

The Directors' Report in the Annual Financial Statements sets out attendance by Directors at meetings during the year and Board Sub-Committee composition as well as meeting attendance. A summary of the Board Skills Matrix is included in the [2019 Corporate Governance Statement].

The Group has established a Board Charter, which details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision-making. A Board-approved delegation matrix specifies the level of authorisation provided to other key management personnel. A copy of the Charter has been uploaded on the Company's website.

The Group has a written agreement with all Non-executive Directors, which sets out the terms and conditions associated with their office. The roles of the Chairman of the Board and the Interim CEO are separate.

In accordance with the Group's Constitution, members appointed to fill a casual vacancy during the year, together with one-third of the Directors, shall retire from office at each AGM. The first to retire are the longest-serving members. Retiring Directors may be nominated for re-election by the Shareholders at the AGM.

Board Sub-Committees

The Charters for Board Sub-committees, setting out roles and responsibilities, can be found on the Company's website. Specific initiatives or work programmes assigned to the Board Sub-committees include:

• Nomination Committee

The Nomination Committee has begun the process of recruiting a permanent CEO who will be appointed once project funding has been secured. An external recruiter has been engaged and criteria have been set for identifying the most suitable candidate. The criteria were set with due consideration of the Group's transformation agenda.

A framework for a Board succession plan, which considers the skills required post-project funding, has been discussed by the Nomination Committee. The framework sets the objective of transitioning over a period that maintains appropriate levels of continuity as well as the diversity of the Board based on targets of at least 25% female and 50% HDSA representation (currently 14% female and 43% HDSA).

• Audit Committee

During the year, the Committee had oversight of the external audit tender and transition process. On an annual basis, the Committee reviews the 30 June Annual Financial Statements and accounting practices, and obtains explanations and representations to be satisfied that the information contained in these Statements (as well as the application of accounting policies and practices) is reasonable.

The Committee meets once a year (aligned with approval of the year-end financial statements) with the external auditor in the absence of Management.

• Risk Management Committee

The Group maintains a Strategic Risk Register, which is regularly reviewed by Management. The key emerging risk under consideration by the Risk Management Committee is development of mitigation strategies by Management to ensure timely completion of all conditions precedent associated with first drawdown of Project development funds.

• Remuneration Committee

If more than 25% of the votes cast at an AGM resolution to adopt the Remuneration Report are against the adoption for two consecutive annual general meetings, Shareholders are required to vote at the second of those meetings on a “spill resolution” concerning whether another meeting should be held within 90 days where all the Company’s Directors must stand for re-election.

At the 2018 AGM, the Company’s Remuneration Report for the year ended 30 June 2018 had more than 25% of the votes cast against the resolution to adopt the Remuneration Report. Management under the supervision of the Committee have therefore been engaging with the Shareholder who raised concerns about the Group’s remuneration policies and practices, and has taken advice from an independent Remuneration Consultant. Further details on the changes and improved disclosure are set out in the 2019 Remuneration Report (see the Annual Financial Statements section).

• Social, Ethics and Transformation Committee

The Social, Ethics and Transformation Committee continues to receive and monitor quarterly reporting to the Department of Mineral Resources concerning compliance with the 2010 Mining Charter, including Social and Labour Plan commitments.

The Board is being kept informed of the implementation agenda for adoption of revisions arising from the 2018 Mining Charter. In this regard, the Company participates in the Activities of the Junior and Emerging Miners’ Desk of the Minerals Council South Africa.

• Project Oversight and Finance Documents Committees

These two Committees were not active during the financial year as the single focus of the Board and Management was on securing commitments to providing Project funding. Towards the end of the 2019 financial year, significant progress was achieved with funding commitments from all three members of a proposed Lending Syndicate for the Mine development.

In the lead up to Financial Close for fully funding the Project, the role of these Committees will be (i) oversight of completion of funding documentation to enable first drawdown of development funds, and (ii) oversight of major contract finalisation and operational readiness planning ahead of the issue of the “Notice to Proceed” to the EPC Contractor.

Transparency and ethics

The Social, Ethics and Transformation Committee views itself as the “conscience of the Group” with the objective of working with the Board and the other Sub-committees to ensure that Resgen remains a responsible and accountable corporate citizen that contributes to the economic development of South Africa.

The Group is committed to operating in accordance with applicable rules and regulations, and to the highest standards of ethical behaviour and honesty, with full regard for the safety and health of its employees and contractors, the local community and the environment. Employees must act with integrity and honesty in the day-to-day performance of their jobs and in any situation where their conduct and behaviour could influence the reputation of the Group.

The Group Code of Conduct with linkage to an Ethical Behaviour Policy was reviewed and approved by the Board during the past financial year. A copy can be located on the Company’s website.

Resgen has adopted an Anti-Bribery and Corruption Policy, which prohibits giving, offering, promising, authorising, accepting or requesting bribes or engaging in corrupt activities. The tone of “zero tolerance”, which has been set by Management, together with an internal control framework, particularly in the areas of procurement and human resources, are the principal safeguards. Any breach of this Policy will be regarded as a serious matter and disciplinary action may result in termination of employment or contract.

To support the Group’s commitment to acting with integrity and honesty, Resgen plans to introduce an external whistleblowing initiative once operating activities ramp up with development of the mine. In the interim channels for raising concerns, covering issues such as ethics violations, theft, fraud, bribery, corruption, discrimination, harassment and substance are in place.

No matters requiring investigation were reported to the Head of Human Resources and Communities during the year.

The Directors, based on the monitoring and reporting mechanisms in place, are of the view that the systems to oversee and enforce ethical conduct during the financial year have been effective.

Risk management

Resgen is committed to effective risk management and has adopted a Risk Management Framework that will adapt as the Group moves through the funding and development phases into steady state production. It is based on an approach that recognises the importance for Management and the Board to grow the Group's capabilities apace with the growth of the Group, to anticipate risks and opportunities, and to respond appropriately and effectively through the adoption of mitigation strategies.

The Board is responsible for risk oversight and has created a Risk Management Committee to oversee the assessment of the framework, and to advise on the integrity of the risk

management processes. The Charter for the Risk Management Committee can be found on the Company's website.

Risk appetite and tolerance

Resgen's objective is to identify key business risks, and then adopt prudent policies and practices to manage these exposures and/or opportunities. Given the funding state of the Group's project, the initial risk tolerance focus is on ensuring compliance with all regulatory approval conditions to ensure zero harm to employees and contractors, and to adopt measures within its control to reach financial close for funding. Post-construction, Resgen will be reviewing its risk tolerance in line with the operating environment on site.

Risk	Impact	Mitigation
1. Completion of credit approval process and achievement of financial close for funding mine development and rail link	Project put on care and maintenance due to inability to secure funding or, in an extreme case, financial failure of the Company	- Active approach to de-risking controllable project assumptions - Implementation of a work programme to actively address all anticipated conditions precedent for drawdown of funds - Continued focus on overhead/cost reduction
2. Finalising all major project development contracts with balanced allocation of risk between parties	Project development is disrupted due to unclear definition of the scope of work and project costs or schedule overruns are experienced or major disputes with contractors cannot be resolved	- Documentation to clearly outline responsibilities of each of the parties with linkage to contractor performance assessments/incentives - Project Oversight Committee established to review proposed terms, monitor status of negotiations and provide advice to Management
3. Retaining current experience within the team and recruiting skills where required to oversee execution of the Project within scope, schedule and budget	- Loss of knowledge and ownership of planning decisions instrumental in overseeing project execution - Inexperience in the Company's Management of the Project results in cost or schedule overruns	- Involvement of execution team in contract negotiation process to ensure ownership - Supplementing team with appropriately skilled project resources - Development of appropriate incentive schemes
4. Ensuring compliance with all regulatory approval conditions to ensure retention of the 'licence to operate' the Mine	Suspension of operations or loss of Mining Right	Monitoring and reporting process in place for all regulatory approval conditions
5. Executing rail logistics and port allocation contracts that are commercial and aligned with future coal sale commitments	Inability to deliver against export contracts resulting in reputation damage and penalties, loss of foreign revenue stream and inability to service project development debt	- Project Oversight Committee will oversee and advise on commercial negotiations - Alignment of life of mine plan with rail and port logistics and coal supply agreements
6. Monitoring and engaging with Government to minimise any proposed changes to legislation that could be detrimental to the mining industry	- Loss of investor confidence in mining industry - Sovereign risk factors adversely affect Shareholder value	- Senior management involvement with relevant industry organisations such as Minerals Council South Africa - Open dialogue with Department of Mineral Resources

The risks detailed above are set out in our Strategic Risk Register and the status of mitigation strategies is reported to the Risk Management Committee and the Board.

Summary

Management, the Risk Management Committee and the Board continue to identify emerging risk themes that may impact on the Group together with the identification and mitigation of significant strategic risk exposures.

Our environment, people, communities and procurement

Environment

Resgen is committed to managing its interaction with the natural environment in compliance with an approved environmental management programme and authorisations as well as best practice principles. The focus has been on collecting baseline environmental data prior to the onset of mine development.

A key area of monitoring has been the development of an extensive baseline database of water quality. This is vital to monitor the impact that the operation will have on underlying water quality in the future. Monitoring of dust fallout and biomonitoring of the Limpopo River is also ongoing to provide baseline trends.

Continuous compliance with all licence requirements and site-based authorisations are fundamental in managing Resgen's operations. Annual independent external audits of all licences are undertaken and, in calendar year 2018, an overall compliance score of 95% was achieved.

Once development activities commence, energy use will be strictly documented and reported in order to enable us to monitor all our emissions and, in particular, greenhouse gas (GHG) emissions (Scope 1 and Scope 2).

Establishment of the carbon footprint will be the first step in relation to climate change monitoring and reporting. Once a base year has been established post construction, emission reduction targets can be set and tracked. Establishment of the carbon footprint is also vital for national legislative reporting and any carbon tax calculation.

Employment and training

Training and employment practices implemented by Resgen and Ledjadja are guided by legislation, among others, the Mining Charter and an approved Social and Labour Plan (SLP). The Group's performance against the SLP targets is monitored and reported to the Department of Mineral Resources quarterly and annually.

We recognise that employees are among our most important assets so we are committed to looking after their wellbeing, developing their skills, uplifting living conditions and creating equal opportunities for all. We believe that these commitments to our employees and the communities will ultimately translate into value for all of our stakeholders.

We expect to create some 3 000 jobs during the mine construction phase and approximately 700 permanent jobs during steady state operations.

The majority of these permanent opportunities will be available to local communities. Until we have a fully funded Project, all

recruitment activities have been placed on hold. Nevertheless, once firm funding commitments are in place, the objective will be to achieve a diverse, stable and productive workforce. In preparation for local recruitment efforts, we have conducted an extensive skills audit within the local community. We now have a database of 12 000 curricula vitae from representatives in surrounding villages, informal settlements and townships.

We continue to meet our human resource development targets in the SLP as detailed in the table below.

Programme	Number of people	HDSAs	Female
		%	%
Adult education and training	52	100	60
Apprenticeship	4	100	75
Learnership	13	100	8
Bursary	5	100	100
Total	74	100	54

Community engagement

Regular meetings are held with local communities, the Lephalale Local Municipality and the Lephalale Development Forum in order to share information about corporate developments, employment opportunities and to provide feedback on social commitments. Community interventions focus primarily on education and local infrastructure development in line with the mine's SLP.

Stimulation of economic development is a critical aspect of the SLP. Where possible, we source supplies and services from local businesses and more than 250 small, medium and micro enterprises (SMMEs) are registered on Boikarabelo's electronic supplier database.

Mine community development

Our SLP includes commitments totalling R347 million (approximately A\$34 million on local economic development (LED) projects in the local community. The breakdown is shown in the table below.

	Budget
Road construction: Marken via Bangalong, Mmaletswai, Ga-Mocheko to Mongalo	R8 million
Upgrading, diverting, resealing and preventive maintenance of D1675, D175 and D2286 provincial roads	R89 million
Construction of effluent treatment plant and pipeline (MBET)	R250 million

Our environment, people, communities and procurement

continued

Safety management

While there is limited activity at the Boikarabelo site ahead of the start of construction, safety systems and procedures are being maintained, and have been designed with best practice in mind, and in line with South Africa's Mine Health and Safety Act and regulations.

We have achieved a lost time injury frequency rate (LTIFR) of zero for the past five years. We emphasise "zero harm" and have implemented a safety management system, which is aligned with and complements the internationally recognised OSHAS 18001 management standard.

Health management

In the lead up to construction, management is striving to ensure a fit and healthy workforce. A third-party medical specialist and accredited occupational hygienist have been contracted to implement medical surveillance and monitoring services. The focus is on occupational illnesses and exposure, extending to monitoring for noise, airborne pollutants and thermal stress surveys. The results are reported to the Department of Mineral Resources on a quarterly basis.

In terms of primary healthcare, services are provided for full-time employees and contractors. The service extends to voluntary HIV/Aids testing and counselling as well as pulmonary tuberculosis (TB) testing and family planning advisory services.

Supply chain management

Engagement with suppliers is managed in terms of a comprehensive vendor application process in order to ensure that all potential and existing suppliers comply with our requirements, including adherence to company and tax legislation, and the Mining Charter.

Local procurement and enterprise development

Participation by local businesses in our operations is viewed by Resgen as important in contributing to the economic development of our community neighbours. Where possible, supplies and services are procured from local businesses. In support of preferential procurement, local suppliers are identified and included in a database, which is updated regularly.

Our policy on procurement practices is being updated to comply with the 2018 Mining Charter Scorecard 3. The 2018 Mining Charter requires mining right holders to promote economic growth through the development or nurturing of SMMEs as well as suppliers of mining goods and services.

Mining right holders must identify all goods and services required in its operations and ensure that:

- a minimum of 70% of total mining goods procurement are spent on South African-manufactured goods produced by companies owned or controlled by HDSAs, women and youth as well as black economic empowered (BEE)-compliant companies
- a minimum of 80% of the total spend on services must be sourced from South African-based companies owned or controlled by HDSAs, women and youth as well as BEE-compliant companies

The aim of these requirements is to provide opportunities to boost local economic growth, creating decent jobs and widening market access as well as developing or nurturing SMMEs as well as suppliers of mining goods and services. Mining right holders must also ensure that 70% of all research and development funds are spent on South African-based entities and that South African-based utilities are used for sample analysis. In compliance with the above, the Company has realigned its procurement strategies to strongly emphasise the following key elements of spending.

Summary of mining charter annual spending from 1 January 2018 to 31 December 2018

	Target		Qualifying spend		BEE spend			
	2019	2018	2019	2018	2019		2018	
	%		R'000		R'000	%	R'000	%
Capital goods*	60	60	26.701	27.371	26.701	100	27.379	100
Services*	80	80	21.170	33.857	16.682	79	23.851	70
Consumables*	70	70	0.582	0.658	0.582	100	0.649	99

* Based on the 2010 Mining Charter used until September 2018

ANNUAL FINANCIAL STATEMENTS

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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. References to R or ZAR refer to South African Rand.

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:
Ironwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston 2191, South Africa

The financial report was authorised for issue by the Directors on 30 September 2019.

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

Directors' report

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 2019 (FY19).

1. Directors

The following persons were Directors of the Company during FY19 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	Nomination, Remuneration, Social, Ethics and Transformation	Full year
Mr R Croll	Independent Non-executive Director and Lead Independent Director	Nomination and Risk Management	Full year
Mr M Dahiya	Non-executive Director (alternate for G Hunter)	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	Risk Management, Project Oversight and Social, Ethics and Transformation	Full year
Dr K Sebati	Independent Non-executive Director	Audit and Social, Ethics and Transformation	Full year
Mr P Watson	Independent Non-executive Director	Audit, Remuneration and Finance Documents	Resigned 30 November 2018
Mr G Hunter	Non-executive Director	Project Oversight and Finance Documents	Full year (alternate to M Dahiya to 28 May 2019)
Mr M Gray	Independent Non-executive Director	Remuneration, Audit	Appointed 01 December 2018

* 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 resigned as Joint Company Secretary effective 31 January 2019.

(i) Information on Directors

Lulamile Xate B.Compt; Post Grad. Diploma Energy Studies 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 <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> 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	Rob Croll BSc Mining Engineering, MBA Independent Non-executive Director and Lead Independent 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 <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> Member of the Risk Management Committee Chairman of the Nomination Committee
Manish Dahiya B.A. Economics; MBA, INSEAD, France Non-executive Director (alternate to G Hunter from 28 May 2019) 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.	Colin Gilligan BSc Eng (Hons) 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). No other current or former listed directorships in the last three years <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> 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) <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> 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) 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 <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> 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 Member of the Project Oversight Committee	Dr Konji Sebati BSc, MBChB. 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 <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> 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 Independent Non-executive Director (resigned 30 November 2018) 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) <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> 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)	Greg Hunter BSc Eng (Hons) Non-executive Director (previously alternate to 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 <i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights <i>Special responsibilities</i> Member of the Project Oversight Committee (appointed 27 February 2018) Member of the Finance Documents Committee (appointed 27 February 2018)

Directors' report continued

Michael Gray B. Eng (Civil), MBA and AIDC Independent Non-executive Directors (appointed 01 December 2018)	
<i>Experience and expertise</i> Michael has more than 25 years' experience in the planning, approval, financing and development of resource and infrastructure projects and for the last 15 years has been focused on greenfield coal project development. He held executive roles at the Queensland Government's Office of the Coordinator General and Macarthur Coal Limited and was Chief Executive Officer of Middlemount Coal Pty Ltd, where he had responsibility for development of the \$600M Middlemount project from exploration project to operating mine. He has previously been a Director of Bandanna Energy Limited, Wiggins Island Coal Export Terminal Pty Ltd and the Queensland Resources Council.	
No other current or former listed directorships in the last three years	
<i>Interests in shares and performance share rights</i> Nil ordinary shares in Resource Generation Limited Nil performance share rights	<i>Special responsibilities</i> Chair of the Remuneration Committee Member of the Audit Committee
Mike Meintjes BCom (Hons), ACA, F Fin Company Secretary Mike is a Chartered Accountant with over 33 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 (resigned 31 January 2019) 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 has 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 FY19 and the number of meetings attended by each Director was:

		Board	Audit	Nomination	Remuneration	Risk Management	Social, Ethics and Transformation*	Project Oversight **	Finance Documents **
L Xate	Held	15		2	2				
	Attended	14		1	0				
R Croll	Held	15		2		1			
	Attended	13		2		1			
M Dahiya ***	Held	15		1	1				
	Attended	9		1	1				
C Gilligan	Held	15	4	2		1			
	Attended	13	4	2		1			
L Molotsane	Held	15				1			
	Attended	15				1			
K Sebati	Held	15	4						
	Attended	13	3						
P Watson	Held	9	3						
	Attended	9	3						
G Hunter ***	Held	15			1				
	Attended	15			1				
M Gray	Held	5	1		2				
	Attended	5	1		2				

* SETCOM did not meet during the year, however, quarterly updates were received from the Head of HR & Communities based on the Mining Charter & SLP Reports provided to the DRM.

** These Committees did not meet due to delays in reaching signed Term Sheets which would have triggered the need required oversight of these governing bodies.

*** Mr Hunter was alternate director to Mr Dahiya until 28 May 2019, at which time Mr Hunter was appointed to the Board and Mr Dahiya became his alternate.

2. Principal activities

During FY19 the principal continuing activities of the Group consisted of the continuance of financing and development of the Boikarabelo Coal Mine in the Waterberg region of South Africa.

3. Operating and financial review

Corporate

In late June 2019 the Company advised the market that the second and third members of the proposed Lending Syndicate had confirmed participation (credit approval) of their respective contributions to the Company's funding application for construction of the Boikarabelo Coal Mine. The offers of participation from the three lenders are subject to certain terms and conditions which require consolidation into a common term sheet. This consolidation process is continuing in a constructive manner.

The combined proposed mine construction funding package offered by members of the Lending Syndicate was confirmed as R4.2 billion (approx. A\$420 million). Once proposed common term sheets are agreed and available for incorporation into the Base Case Financial Model for the Project, the Board will be in a position to consider the approval. Once all parties agree and obtain approval to common term sheets, these subject to preparation of full form agreements and satisfaction of certain conditions precedent to enable first drawdown (Financial Close). It is at this time that the Company expects to be able to provide key details of the proposed mine construction funding package.

Rail link negotiations for a funding package of R750 million (Approx. A\$75 million) are at an advanced stage and the funding required to construct the 44km rail infrastructure linking the mine to the Transnet main line. Any proposal for the mine construction funding package and the rail link funding package approved by the Board will remain subject to the approval by the Shareholders at an EGM to be scheduled for this purpose. Based on current expectations and matters within the control of the Company, Financial Close is being targeted for the end of January 2020. In the interim the Board and Management remain focused on strategies to conserve cash and/or secure any additional financial support to achieve this objective.

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, the operating subsidiary of Resource Generation Limited, Ledjadja Coal (Proprietary) Limited, has now executed three separate contracts with Sedgman (South Africa) (Proprietary) Limited and Sedgman Pty Limited (collectively Sedgman) for the Boikarabelo Coal Mine relating to the following:

- (i) The engineering design, construction and commissioning of the CHPP;
- (ii) The operations and maintenance of the CHPP; and
- (iii) The construction of the ancillary works relating to the infrastructure of the mine .

Sedgman will design, procure, construct and commission the CHPP for the processing of 15 million tonnes of raw coal per annum and will also operate and maintain the CHPP for 4 years post commissioning, subject to strict performance criteria. Under the ancillary works contract, Sedgman will undertake construction of infrastructure associated with the CHPP and additional infrastructure including building, piping, electrical, water and drainage during the mine development phase. The value of the engineering design, construction and commissioning of the CHPP plant and the construction of the ancillary works infrastructure contracts is US\$210 million (approx. A\$310 million), subject to exchange rate fluctuation and conditions precedent normal in contracts of this nature. The operations and maintenance contracts is for a duration of 4 years and is valued at US\$100 million (approx. \$148 million).

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\$9.7 million (US\$1.5 million not utilised as at 30 June 2019) 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 as at 30 June 2019 is US\$44.4 million. The Company executed the Sixth Deed of Amendment and Restatement of the facility agreement and the key terms of the amendment have been documented with Noble and have been executed by the parties. These terms include the following:

- * Interest rate of 10.75% with penalty interest applicable on a default;
- * Amending the first date for repayment of the Facility from 30 June 2019 to 30 September 2019; and
- * The additional funds to be secured by the existing Share Pledge over Resgen's interest in 74% of the shares in Ledjadja Coal (Proprietary) Limited, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited. Approval for granting this security to a substantial shareholder was obtained from Shareholders at the AGM held on 30 November 2018.

The Chief Financial Officer and Joint Company Secretary, Brendan O'Regan, tendered his resignation effective 31 January 2019. The Board would like to thank Brendan for his committed and tireless efforts in managing the finance function since its transfer from Sydney in early 2016.

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.

Directors' report continued

Financial Headlines

- Loss before income tax decreased by 42% to \$6.043m (2018: \$10.342m loss)
- The most significant items contributing to the FY19 loss before income tax were:
 - (i) Unrealised foreign exchange loss of \$1.132m (2018: \$3.006m loss) being an unrealised loss from translation of the amount outstanding under the Noble loan facility
- Net debt of \$85.741m at 30 June 2019 (2018: \$62.351m)
- Gearing at 76.4% at 30 June 2019 (2018: 53.3%)
- Cash expenditure of \$5.833m on operating activities (2018: \$5.841m); this decrease has resulted from a corresponding reduction in trade and other payables
- Cash expenditure of \$5.599m on mine infrastructure (2018: \$5.050m)
- Agreed in principle the deferral of Noble loan repayments from 30 September 2019 to 28 February 2020 to conserve existing cash balances (see Note 26)
- Shareholders' equity has seen a decrease of \$4.960m (2018: \$12.035m decrease) in the period due to the reported loss

Financial and non-financial performance	FY19	FY18	% change
Loss before income tax (\$million)	(6.0)	(10.3)	-42%
Basis loss per share (cents)	(1.0)	(1.8)	-44%
Total debt (\$million)	87.2	64.1	36%
Net debt (\$million)	85.7	62.4	37%
Net assets (\$million)	112.2	117.1	-4%
Gearing ratio ¹	76.4%	53.3%	43%
Number of employees ²	29	43	-33%
Gender diversity ³	28%	36%	-22%
Transformation ⁴	66%	64%	3%

1. Net debt/Equity

2. Employees includes Directors

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

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

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

The financial position 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 (2018: nil).

Results of operations

The loss for the year for the Group was \$6.043 million (2018: \$10.342 million loss).

Likely developments, business strategies and prospects

The Group is still in the process of securing funding for the construction of the Boikarabelo Coal Mine, as at reporting date it is envisaged that financial close will be achieved by 28 February 2020. The aim of the management is to preserve cash resources until such time as financial close is achieved.

Matters subsequent to the end of financial year

The Company has received a written 'in-principle' commitment from Noble Resources International Pte Ltd for a further extension to the Facility Agreement to make available additional funds of up to US\$2.5 million to the Company's subsidiary, Ledjadja Coal Proprietary Limited to fund operations until Financial Close is achieved in February 2020.

The 'in-principle' commitment to provide additional funds is subject to Noble Board approval in early October 2019 and is to be made available on the same terms as the Sixth Deed of Amendment and Restatement to the Facility Agreement and can be drawn in monthly tranches over the period to 28 February 2020. The date of commencement of loan repayments will also be deferred from 30 September 2019 to 28 February 2020. The commitment is also subject to the Company and Ledjadja Coal obtaining all necessary internal and regulatory approvals or waivers.

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 (Financial Close), 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 (audited)

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 FY19. 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.

Part 1: Remuneration policy background statement

(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,
- 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 FY19 the Remuneration Committee comprised of Michael Gray (Chair) (from 1 December 2018), Lulamile Xate and Greg Hunter. Peter Watson (previous Chair) resigned effective 30 November 2018. Manish Dahiya previously a member became an alternate to Greg Hunter with effect from 28 May 2019.

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.

The Board has approved a new initiative by the Interim CEO to restructure the top management team in the next financial year so as to constitute it as a tightly-knit negotiating team, each member with experience and skills and able to contribute to and participate in the funding approval investigations. The total headcount of the company will be reduced from the current level of 34 salaried employees to approximately 23. Then, if and when funding is confirmed, this management team may be augmented by the appointment of a permanent CEO and other senior professional function heads so that the company can then launch the operations without any further delay. Board approval for the scale of activities during any period of delay will be renewed annually for a cycle of one financial year, and no long-term commitments will be made by the company pending certainty surrounding the funding of the venture. The Non-executive Directors will remain at 6.

(ii) Summary of activities undertaken during 2019

In response to the shareholders vote at the 2018 AGM, the committee actioned the following matters during the year:

- a) Engagement with key shareholders as to concerns and expectations,
- b) Consultation with a remuneration consultant to assist with the KPIs for the KMPs, together with a review of the structured compensation.

Directors' report continued

(iii) Focus areas for 2020

The committee will action the following matters during the year:

- a) A review of the current remuneration policies with the objective to conform to and fit within a sound remuneration policy framework at all levels and across the whole organization, differentiated at two levels of responsibility – being the key management personnel and support staff,
- b) Review and benchmarking of a Long-Term Incentive (LTI) share awards in order to be appropriately aligned with current best market practices as part of the remuneration mix for KMPs, and
- c) Review of remuneration packages that will include an annualised guaranteed package (AGP), a short-term incentive (STI) and a long-term share-based Incentive aligning commitment with accountability to shareholders.

(iv) Voting on remuneration

In line with the Listing Requirements and the Corporations Act 2001, the remuneration policy and implementation reports will be tabled for separate non-binding advisory votes by shareholders at the annual general meeting, and an engagement process will be conducted in the event that either are voted against by 25% or more of the voting rights exercised at the meeting.

The remuneration report was presented for shareholder voting at the annual general meeting (AGM) held on 30 November 2018. The remuneration report received an in-favour vote of 57% from shareholders and hence the Company has incurred a 'first strike'.

The company interacted with key shareholders to obtain information about the reasons for the votes against.

The following comments were raised and considered.

Topic	Shareholder comments	Remuneration Committee response
Remuneration Policy	The remuneration policy should be a comprehensive and sufficiently substantiated remuneration policy. The current policy have some shortfalls as it relate to other disclosures that aim to foster enhanced accountability on remuneration.	The committee considered these comments and the remuneration policy are being updated.
Remuneration Policy	The company's determination of KPIs and weightings should provide measurability.	The committee considered these comments and are being included in new policy. The disclosure on KPIs, weighting and measurability has been enhanced in this year's report

The Board of Directors will continue to encourage regular dialogue with shareholders to create and maintain a mutual understanding of what performance is expected.

(v) Remuneration Consultants

During the year, the company consulted with remuneration consultants, PE Corporate Services (PECS), to assist with the KPIs for the KMPs, together with a review of the structured compensation.

Under the terms of the engagement, PECS provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid \$4,084 for these services.

PECS has confirmed that the above recommendations have been made free from undue influence by members of the Group's key management personnel.

PECS was permitted to speak to management throughout the engagement to understand Company processes, practices and other business issues and obtain management perspective. However, PECS was not permitted to provide advice or recommendations to members of management before advice or recommendations was given to members of the Remuneration Committee and not unless PECS had approval to do so from members of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from members of the key management personnel.

Part 2: Remuneration policy and structure

(i) Proposed revised strategy

The retrenchment of employees and the downsizing of the organization pending its required funding will enable to company to at the same time restructure its senior executive remuneration policies so that they are more in line with the labor market in SA.

Whilst fixed remuneration may be reduced, the long-term incentive in the form of share options will be increased to enable the company to attract and retain a management team that is focused on the medium and long-term interests of the company, and able to contribute for that reason to the funding negotiations.

Careful consideration will be given to the retention strategy – so that the company does not lose the expertise of key employees who are critical to the success of the venture.

This review process will ensure that the proposed remuneration packages will include an annualized guaranteed package (AGP), a short-term incentive (STI) and a long-term share-based Incentive.

- a) The remuneration packages of the KMPs will be benchmarked annually in advance by the committee on the basis of a reputable salary survey.
- b) KMPs will be awarded a performance bonus at the end of the financial year based on a scorecard of corporate and personal or job-related performance criteria that is approved by the CEO at the commencement of the financial year. The performance criteria applying to the CEO will be approved by the committee in liaison with the Chairman of the Board. The weighting between financial and non-financial criteria will be decided annually in advance for each incumbent independently of the others. The non-financial criteria in F2020 will be job-related strategic projects and objectives.
- c) A long-term share option scheme is to be introduced effective from F2020 in order to reward each KMP for his or her contribution to the achievement by the company of long-term strategic goals and to retain them in service for a period which is long enough for them to be able to influence the financial earnings capacity of the company.

Directors' report continued

(ii) Current remuneration policy and components

Executive KMP remuneration

Remuneration	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 FY19, the Remuneration Committee did not award any pay increases during FY19.
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 FY19, the Remuneration Committee did not consider it prudent to award any STI payout in FY19 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) b) 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 finalization of project funding. The Remuneration Committee is developing a remuneration framework for FY20 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 practice 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 FY19. 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).

The above reflects the current remuneration structure which is currently being reviewed by the remuneration committee in conjunction with the remuneration consultant.

Non-executive Director remuneration

Remuneration	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 FY19 and Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.
Short-term	No STIs are awarded to Directors.	No STIs are awarded to Directors.
Long-term	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.

The above reflects the current remuneration structure which is currently being reviewed by the remuneration committee in conjunction with the remuneration consultant.

(iii) Members of Key Management Personnel (KMP)

The table below sets out details of those persons who were KMP of the Group during FY19.

Name	Position	Period as KMP
<i>Non-executive Members of KMP (Non-executive Directors (NEDs))</i>		
L Xate	Chairman and Non-executive Director	Full year
R Croll	Independent Non-executive Director	Full year
G Hunter ¹	Non-executive Director	Full year
C Gilligan	Independent Non-executive Director	Full year
K Sebati	Independent Non-executive Director	Full year
M Dahiya ¹	Non-executive Director (Alternate for H Hunter)	Full year
M Gray	Independent Non-executive Director	From 30 November 2018
P Watson	Independent Non-executive Director	Until 30 November 2018
<i>1. Mr. G Hunter replaced Mr. M Dahiya as Director with effect from 17 May 2019 with Mr. M Dahiya then becoming the alternate to Mr G Hunter.</i>		
<i>Executive Members of KMP (Executive KMP)</i>		
L Molotsane	Interim Managing Director and Chief Executive Officer (ICEO)	Full year
B O'Regan ²	Chief Financial Officer (CFO)	Until 31 January 2019
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

2. Resigned as CFO effective 31 January 2019 and has not been replaced.

Part 3: Implementation 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 FY20 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 combination of short and long-term incentives. The remuneration of executives through to 2022 will be aligned with key milestones in the development of the Boikarabelo Coal Mine once funding is secured.

Directors' report continued

The following table illustrates the remuneration mix for Executive KMP as at 30 June 2019 (assuming Target performance for at-risk components).

	2019				2018			
	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%	100%	0%	0%	100%
B O'Regan ³	80%	20%	0%	100%	80%	20%	0%	100%
Z van der Bank	71%	29%	0%	100%	71%	29%	0%	100%
H van den Aardweg	80%	20%	0%	100%	80%	20%	0%	100%
S Selibe	100%	0%	0%	100%	100%	0%	0%	100%

1. The LTI 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.

3. Resigned as CFO effective 31 January 2019 and has not been replaced.

The ratio of average KMP remuneration to the average remuneration of other employees is 5 (2018: 5).

The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY19. It includes:

- a) fixed remuneration earned in FY19;
- b) STI earned in respect of FY19;
- c) LTI earned in respect of FY19;
- d) any non-monetary benefits provided in FY19; and
- e) sign-on incentives earned in FY19.

	Fixed	STI ¹	LTI ²	Other ³	Total
	\$	\$	\$	\$	\$
Executive KMP					
L Molotsane ⁴	406 947	-	-	12 323	419 270
B O'Regan ⁵	235 586	-	-	66 523	302 109
Z van der Bank	387 630	-	-	39 482	427 112
H van den Aardweg	407 199	-	-	38 617	445 816
S Selibe	173 937	-	-	-	173 937

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

2. No LTI Awards reached the end of their performance period in FY19

3. Includes motor vehicle benefits (where applicable) and leave entitlement on resignation

4. Appointed as Interim MD and CEO 8 March 2018

5. Resigned as CFO effective 31 January 2019 and has not been replaced.

	FY18	FY19	% change	Comments
	\$	\$		
L Molotsane				
CTC Remuneration ¹	144 266	419 270	191%	Appointed as Interim Managing Director and CEO effective 8 March 2018 (4 months) in FY18. FY19 full year
STI ²	-	-	0%	No eligibility to bonus incentives due to the nature of this short-term assignment
LTI ³	-	-	0%	No eligibility to bonus incentives due to the nature of this short-term assignment
Total Remuneration	144 266	419 270	191%	
B O'Regan ⁴				
CTC Remuneration ¹	408 972	302 109	-26%	FY18 full year. FY19 reflects 7 months to date of resignation and include an amount paid of \$53,205 paid in settlement of leave on resignation
STI ²	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI ³	46 225	(360 000)	-879%	No LTIs awarded in FY18. FY18 charge is in respect of performance share rights awarded in FY14. Reversal of employee share scheme on resignation in FY19
Total Remuneration	455 197	(57 891)	-113%	

Z van der Bank				
CTC Remuneration ¹	593 778	427 112	-28%	FY18 include an amount of \$166,667 as a sign-on award. FY19 increase due to currency conversion (salary denominated in ZAR)
STI ²	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI ³	-	-	0%	Employee Share Plan currently on hold pending funding
Total Remuneration	593 778	427 112	-28%	
H van den Aardweg				
CTC Remuneration ¹	427 090	445 816	4%	Increase due to currency conversion (salary denominated in ZAR)
STI ²	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI ³	57 781	-	-100%	No LTIs awarded in FY19. FY18 charge is in respect of performance share rights awarded in FY14. Employee Share Plan on hold pending funding
Total Remuneration	484 871	445 816	-8%	
S Selibe				
CTC Remuneration ¹	173 937	173 937	0%	Increase due to currency conversion (salary denominated in ZAR)
STI ²	-	-	0%	STI performance bonus assessment deferred until after Financial Close
LTI ³	-	-	0%	Employee Share Plan currently on hold pending funding
Total Remuneration	173 937	173 937	0%	
R Lowe				
CTC Remuneration ¹	576 006	-	-100%	FY18 is for 8 months
STI ²	-	-	0%	
LTI ³	-	-	0%	
Total Remuneration	576 006	-	-100%	

1. CTC stands for Cost to Company

2. STIs are being reviewed as part of the proposed revised remuneration strategy

3. STIs are being reviewed as part of the proposed revised remuneration strategy

4. Resigned as CFO effective 31 January 2019 and has not been replaced.

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 (NED) Director remuneration

Fees for NEDs are determined within an aggregate Directors' fee pool limit, which is periodically reviewed for adequacy. Any increase to the aggregate Directors' fee pool is submitted to shareholders for approval. The maximum currently stands at \$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 FY19 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.

Directors' report continued

(i) 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 ¹	Super-annuation Benefits	Long Service Leave	Termination Benefits	Performance Shares	Total Remuneration
Executive Directors		\$	\$	\$	\$	\$	\$	\$	\$
L Molotsane ²	2019	406 947	-	12 323	-	-	-	-	419 270
	2018	131 943	-	12 323	-	-	-	-	144 266
Other Executives									
B O'Regan ³	2019	235 586	-	66 523	-	-	-	(360 000)	(57 891)
	2018	385 288	-	23 684	-	-	-	46 225	455 197
Z van der Bank	2019	387 630	-	39 482	-	-	-	-	427 112
	2018	387 630	-	206 148	-	-	-	-	593 778
H van den Aardweg	2019	407 199	-	38 617	-	-	-	-	445 816
	2018	388 473	-	38 617	-	-	-	57 781	484 871
S Selibe	2019	173 937	-	-	-	-	-	-	173 937
	2018	173 937	-	-	-	-	-	-	173 937
R Lowe ⁴	2019	-	-	-	-	-	-	-	-
	2018	550 538	-	25 468	-	-	-	-	576 006
Total	2019	1 611 299	-	156 945	-	-	-	(360 000)	1 408 244
	2018	2 017 809	-	306 240	-	-	-	104 006	2 428 055

1. Includes sign-on incentives, motor vehicle benefits, medical aid, housing allowance and leave entitlement on resignation (where applicable).

2. Appointed Interim Managing Director and CEO effective 8 March 2018; amount is inclusive of NED fee from 8 March 2018.

3. Resigned as CFO effective 31 January 2019 and has not been replaced. The reversal of of share-based payments amounted to \$360,000 related to expenses previously recognised in prior years. These options have been forfeited on termination.

4. Resigned as CEO effective 8 March 2018.

Non-executive Directors	FY	Short-term Benefits			Post-Employment Benefits		Total Remuneration for services as NED
		Board and Committee Fees	Non-Monetary Benefits	Other Fees ¹	Super-annuation Benefits	Termination Benefits	
		\$	\$	\$	\$	\$	\$
L Xate ²	2019	71 000	-	-	-	-	71 000
	2018	59 798	-	29 265	-	-	89 063
R Croll	2019	42 600	-	-	-	-	42 600
	2018	42 600	-	-	-	-	42 600
C Gilligan	2019	68 493	-	-	6 507	-	75 000
	2018	68 493	-	31 000	6 507	-	106 000
L Molotsane ³	2019	-	-	-	-	-	-
	2018	33 923	-	73 652	-	-	107 575
Dr K Sebati	2019	42 600	-	-	-	-	42 600
	2018	42 600	-	-	-	-	42 600
G Hunter ⁴	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
M Dahiya ⁴	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
M Gray ⁵	2019	39 954	-	-	3 796	-	43 750
	2018	-	-	-	-	-	-
P Watson ⁶	2019	28 539	-	-	2 711	-	31 250
	2018	41 476	-	-	3 940	-	45 416
D Gately ⁷	2019	-	-	-	-	-	-
	2018	45 028	-	-	4 278	-	49 306
Total	2019	293 186	-	-	13 014	-	306 200
	2018	333 918	-	133 917	14 725	-	482 560

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. Appointed as Chairman from 22 November 2017.

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

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

5. Appointed 30 November 2018.

6. Resigned as Director from 30 November 2018.

7. 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 FY19 by each KMP of the Company, including their personally related parties, are set out below:

	Held at 30 June 2018	Received on vesting of rights	Received as remuneration ¹	Other net changes	Held at 30 June 2019
Non-executive Directors					
L Xate ¹	-	-	-	-	-
G Hunter ²	-	-	-	-	-
M Dahiya ²	-	-	-	-	-
Executive KMP					
B O'Regan ³	276 000	-	-	-	276 000
Z van der Bank ⁴	2 289 188	1 778 529	-	-	4 067 717
H van den Aardweg	1 050 000	-	-	-	1 050 000
S Selibe	30 000	-	-	-	30 000
Totals	3 645 188	1 778 529	-	-	5 423 717

1. In addition to the above, 62,124,089 (FY18: 62,124,089) ordinary shares are held beneficially by a related party to the KMP.

2. In addition to the above, 79,609,933 (FY18: 79,609,933) ordinary shares are held beneficially by a related party to the KMP.

3. Resigned as CFO effective 31 January 2019 and has not been replaced.

4. 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.

c) Performance share rights

The number of performance share rights over ordinary shares in the Company held during FY19 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 2018	Granted during the year	Lapsed or forfeited during the year	Held at 30 June 2019	Vested and exercisable at 30 June 2019	Unvested at 30 June 2019
H van den Aardweg	2 500 000	-	-	2 500 000	-	2 500 000
B O'Regan ¹	2 000 000	-	(2 000 000)	-	-	-
Totals	4 500 000	-	(2 000 000)	2 500 000	-	2 500 000

1. Resigned as CFO effective 31 January 2019 and has not been replaced.

d) Transactions with KMP

Other than as disclosed above, during FY19 there were no transactions between KMP or their closely related parties and the Group.

There are no amounts payable by KMP at 30 June 2019 (2018: nil). There are no loans with KMP.

Directors' report continued

(ii) 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	Z van der Bank - COO	H van den Aardweg - GMO
Contract term	Contract effective 8 March 2018, no fixed term	Contract effective 1 July 2016, no fixed term	Contract effective 1 November 2008, no fixed term
Termination and notice	Month to month arrangement, one calendar month's termination 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
Salary review	As the role is an interim arrangement the Package is not subject to review	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	No eligibility to bonus incentives	Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings, including:	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) collaboration with the Executive Team having a single focus for timely achievement of financial close (25%)	(i) achievement of financial close (25%)
		(ii) completion of mining, processing and rail agreements (10%)	(ii) no regulatory or compliance breaches (10%)
		(iii) successful completion of the rail link funding (10%)	(iii) effective budget management with a focus of cost savings on controllable items (10%)
		(iv) construction plan, operating plan and ESAP schedule and all necessary licences and permits (10%)	(iv) approval of Social and Labour Plan (5%)
		(v) appointment and onboarding of an appropriately experienced Project Team (5%)	(v) approval of Borrow Pits permits (5%)
		(vi) comprehensive regulatory compliance (10%)	(vi) development of Environmental & Social Action Plan acceptable to the Lending Syndicate prior to Financial Close (5%)
		(vii) effective budget management with a focus of cost savings on controllable items (10%)	(vii) development of Mine Works Programme (MWP) acceptable to the Lending Syndicate prior to Financial Close (10%)
		(viii) development of a comprehensive Boikarabelo Risk Management Plan & Register (10%)	(viii) Obtain / Register Servitudes in Respect of All Properties (5%)
		(ix) safety compliance and mine discipline (5%)	(ix) safety compliance and mine discipline, zero LTIs (10%)
		(x) development and approval of appropriate policies, procedures (incl. Preferential Procurement) for commencement of development (5%)	(x) development and approval of appropriate policies, procedures (incl. Preferential Procurement) for commencement of development (5%)
			(xi) development and approval of
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. 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	S Selibe - HML	B O'Regan - CFO ¹	
Contract term	Contract effective 1 March 2016, no fixed term	Contract effective 21 March 2011, no fixed term	
Termination and notice	One month's notice by employee; termination payments in line with Basic Conditions of Employment Act	One month's notice by employee; termination payments equivalent to three months' salary package	
Salary 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	
STIs	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, 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%)	
LTIs	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.	

1. Resigned as CFO effective 31 January 2019 and has not been replaced.

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 2019.

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Income	220	551	759	279	677
Unrealised foreign exchange movements	(1 132)	(3 006)	4 257	(4 165)	1 070
Net loss before tax	(6 043)	(10 342)	(1 975)	(7 656)	(4 944)
Net loss after tax	(6 043)	(10 342)	(1 974)	(7 657)	(4 949)
	cents	cents	cents	cents	cents
Share price at start of year	5	5	8	7	11
Share price at end of year	12	5	5	8	7
Basic earnings per share	(1.0)	(1.8)	(0.3)	(1.3)	(0.9)
Diluted earnings per share	(1.0)	(1.8)	(0.3)	(1.3)	(0.9)

*These items were restated in the 2016 financial report

There were no dividends paid or proposed during the five years to 30 June 2019.

Directors' report continued

(iii) 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 CPP 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	2020	Nil	\$0.18	1 000 000	\$180 000	2014
H van den Aardweg	28-Jan-14	2020	Nil	\$0.18	1 500 000	\$270 000	2014

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 FY19, 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 Part 3 (i) above. The value attached to the performance share right is the share price on the day of issue.

End of remuneration report (audited).

5. Additional information

(i) Shares under performance rights

At 30 June 2019 there were 3.2m unissued ordinary shares under performance share rights. No performance share rights were converted during FY18.

As at 30 June 2019 there are 3 holders of the total performance share rights of 3.2 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. 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 CPP 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.

(ii) Insurance and indemnification of officers and auditors

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

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

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

The Company has not provided indemnity to its auditors.

(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 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 32 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
 30 September 2019

Auditor's independence declaration



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF RESOURCE GENERATION LIMITED

As lead auditor of Resource Generation Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Resource Generation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a light grey circular background.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2019

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

		Consolidated	
		2019	2018
	Notes	\$'000	\$'000
Interest income	5 (a)	140	218
Other income	5 (a)	80	333
		<u>220</u>	<u>551</u>
Administration, rent and corporate		(2,914)	(3,211)
Depreciation of property, plant and equipment	10	(258)	(380)
Employee benefits expense		(1,868)	(2,467)
Finance expenses		(594)	(1,627)
Share-based compensation expense	20	503	(202)
Unrealised foreign exchange movements		(1,132)	(3,006)
Loss before income tax		<u>(6,043)</u>	<u>(10,342)</u>
Income tax (expense)/benefit	6	-	-
Loss from continuing operations	5 (b)	(6,043)	(10,342)
Loss for the year		<u>(6,043)</u>	<u>(10,342)</u>
Other comprehensive (loss)/income, net of income tax			
Items that may be subsequently reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations	20	1,586	(1,854)
Total comprehensive (loss)/income		<u>(4,457)</u>	<u>(12,196)</u>
Loss is attributable to:			
Owners of Resource Generation Limited		<u>(6,043)</u>	<u>(10,342)</u>
Total comprehensive (loss) for the year is attributable to:			
Owners of Resource Generation Limited		<u>(4,457)</u>	<u>(12,196)</u>
Headline loss		<u>(6,043)</u>	<u>(10,342)</u>
Loss per share			
Loss per share for loss from continuing operations		Cents	Cents
Basic loss per share	28	(1.0)	(1.8)
Diluted loss per share	28	(1.0)	(1.8)
Headline loss per share	28	(1.0)	(1.8)

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

Consolidated statement of financial position

as at 30 June 2019

		Consolidated		
	Notes	2019 \$'000	2018 \$'000	01-Jul-17 \$'000
		*Restated	*Restated	
Current assets				
Cash and cash equivalents	7	1,474	1,729	4,682
Other receivables	8	56	82	170
Deposits and prepayments	9	175	168	180
		<u>1,705</u>	<u>1,979</u>	<u>5,032</u>
Non-current assets				
Property, plant and equipment	10	30,245	29,563	30,321
Mining tenements and mining development	11	174,602	159,089	151,047
Deposits	12	1,277	1,207	2,042
		<u>206,124</u>	<u>189,859</u>	<u>183,410</u>
TOTAL ASSETS		<u>207,829</u>	<u>191,838</u>	<u>188,442</u>
Current liabilities				
Trade and other payables	13	4,226	6,302	8,185
Provisions	14	207	563	300
Borrowings	17	20,964	19,660	12,665
		<u>25,397</u>	<u>26,525</u>	<u>21,150</u>
Non-current liabilities				
Provisions	15	2,418	2,150	2,175
Borrowings	18	66,251	44,420	34,115
Royalties payable	16	1,625	1,645	1,869
		<u>70,294</u>	<u>48,215</u>	<u>38,159</u>
TOTAL LIABILITIES		<u>95,691</u>	<u>74,740</u>	<u>59,309</u>
NET ASSETS		<u>112,138</u>	<u>117,098</u>	<u>129,133</u>
Equity				
Contributed equity	19	223,622	223,622	223,622
Reserves	20	(37,520)	(38,603)	(36,910)
Accumulated losses	20	(73,964)	(67,921)	(57,579)
TOTAL EQUITY		<u>112,138</u>	<u>117,098</u>	<u>129,133</u>

*Please refer to Note 3 'Critical accounting estimates and judgements' regarding the restatement as a result of a prior year error.

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

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017 (as previously reported)		223,622	(36,910)	(52,189)	134,523
Adjustments (see note 3)		-	-	(5,390)	(5,390)
Balance at 1 July 2017 (*restated)		223,622	(36,910)	(57,579)	129,133
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	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 (*restated)		223,622	(38,603)	(67,921)	117,098
Loss for the year	20 b)	-	-	(6,043)	(6,043)
Other comprehensive income for the year - exchange differences on translation of foreign operations	20 a)	-	1,586	-	1,586
Total comprehensive income/(loss) for the year		-	1,586	(6,043)	(4,457)
Transactions with owners in their capacity as owners:					
Employee share plan - value of employee services	20 a)	-	(503)	-	(503)
Employee share plan - value of employee services	20 a)	-	-	-	-
		-	(503)	-	(503)
Balance at 30 June 2019		223,622	(37,520)	(73,964)	112,138

*Please refer to Note 3 'Critical accounting estimates and judgements' regarding the restatement as a result of a prior year error.

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

Consolidated statement of cash flows

for the year ended 30 June 2019

		Consolidated	
	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(5,939)	(6,054)
Interest received		140	218
Finance costs		(34)	(5)
Taxation refunds		-	-
Net cash outflow from operating activities	27	<u>(5,833)</u>	<u>(5,841)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(2)	(6)
Payments for mining tenements and mining development		(5,599)	(5,050)
Net cash outflow from investing activities		<u>(5,601)</u>	<u>(5,056)</u>
Cash flows from financing activities			
Repayment of borrowings		(2,240)	(2,501)
Drawdown of borrowings		13,371	10,471
Net cash inflow from financing activities		<u>11,131</u>	<u>7,970</u>
Net decrease in cash and cash equivalents		<u>(303)</u>	<u>(2,927)</u>
Cash and cash equivalents at the beginning of the year		1,729	4,682
Effects of exchange rate movements on cash and cash equivalents		48	(26)
Cash and cash equivalents at the end of the year	7	<u>1,474</u>	<u>1,729</u>

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

Notes to the consolidated financial statements

for the year ended 30 June 2019

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 financial statements were approved by the Board of Directors on 30 September 2019.

Compliance with IFRS

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

Going concern

As at 30 June 2019, the Group had net current liabilities of \$23.692 million, made a loss of \$6.043 million for the year and recorded a net cash outflow from operations of \$5.833 million. The Group had a cash balance at 30 June 2019 of \$1.474 million. The Directors have prepared the financial report on a going concern basis.

In concluding that the going concern basis is appropriate, a cash flow forecast has been prepared for the twelve months to 30 September 2020. The forecast includes the following key assumptions:

- (a) the drawdown of the remaining US\$1.500 million from the US\$2.500 million extended Working Capital Facility agreed with Noble, which is an extension of the existing fully drawn US\$42.900 million Working Capital Facility;
- (b) the deferral of the loan repayments on the Noble Working Capital Facility from 30 September 2019 to 28 February 2020;
- (c) securing additional funds (the "bridging funding") of approximately A\$3.500 million (US\$2.500 million) available from 30 September 2019 to 28 February 2020; and
- (d) the receipt of project funding from a Financing Syndicate to complete the construction of the Boikarabelo Coal Mine (the "project funding") on or around February 2020.

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

- (a) since 30 June 2019, the Group has drawn down a further US\$1.00 million of funds under the extended Working Capital Facility agreement. At the date of signing the annual financial report, the Directors remain confident that Noble will continue to honour the existing financing arrangements with the Group and will provide further support as outlined in (b), (c) and (d) below;
- (b) the Group has received a written commitment from Noble (which is subject to Noble Board approval in early October 2019) in respect of the deferral of loan repayments to February 2020;
- (c) the Group has received a written commitment from Noble (which is subject to Noble Board approval in early October 2019) in respect of a proposal to provide the bridging funding; and
- (d) all three lending parties are in the process finalising a common term sheet for project funding and it is envisaged that financial close will be achieved in February 2020.

These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. Summary of Significant Accounting Policies (continued)

a) Fair value

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 2019 and the results of all subsidiaries for the year then ended. Resource Generation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Control is achieved when the Company:

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

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

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

c) Segment reporting

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

d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

- 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 2019 were 9.8545 (2018: 10.1426) and 0.702 (2018: 0.740), 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 statement of financial position are translated at the closing rate at reporting date;
- Income and expenses for each statement of profit or loss and 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

Interest revenue is recognised on a time proportional basis using the effective interest method.

f) Income tax

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. Summary of Significant Accounting Policies (continued)

g) Cash and cash equivalents

For statement of cash flows 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 statement of financial position.

h) Impairment of non-financial 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 statement of financial position are shown inclusive of GST. The net amount of GST recoverable from the taxation authority is shown as a receivable in the statement of financial position.

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 reporting 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 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:

Computer equipment	2-5 years
Office equipment	1-10 years
Motor vehicles	5 years
Buildings	5 years

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

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

p) Employee benefits*(i) Short-term and long-term employee benefits*

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

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

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

(ii) Retirement benefit obligations

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

q) Share-based payments

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. Summary of Significant Accounting Policies (continued)

r) Leases

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

s) Investments and other financial assets

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

For the purpose of subsequent measurement, all financial assets are classified at amortised cost.

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or 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

The following standards have been adopted from 1 July 2018:

(a) AASB 15 Revenue from Contracts with Customers. As the Company is not trading, there is no impact on the adoption of AASB 15 Revenue from Contracts with 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.

(b) AASB 9: *Financial Instruments* 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. The Group's financial instruments include cash and cash equivalents, other receivables, deposits, trade and other payable, borrowings and royalty payables which remain to be accounted for at amortised cost under AASB 9. There's also no significant impact to the Group's financial assets in applying the new expected credit losses model.

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 been determined by the Group.

- AASB 16 Leases
- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle

The following new accounting standards are not yet effective but may have an impact on the Group in the financial years commencing 1 July 2019 or later:

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. 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. Summary of Significant Accounting Policies (continued)

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 note 1y). 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 note 1t).

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 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 \$0.05m (2018: \$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 2019 the impact on the Group's net loss after tax would amount to \$0.8m (2018: \$0.6m). If the South African Rand weakened/strengthened against the US Dollar by 10% since 30 June 2019 the impact on the Group's net loss after tax due to retranslation of the US Dollar borrowings would amount to \$8.7m (2018: \$6.1m). 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 \$3.7m (2018: \$3.9m) 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:

	2019 Rand '000	2018 Rand '000
Cash at Bank (South Africa, Mauritius & Australia)	13,332	15,515
VAT (payable)/receivable	(62)	197
Mining related licence deposits	12,580	12,245
Royalty payable	16,018	16,684
Creditors and accruals	41,120	66,313
Borrowings (EHL loan)	5,247	26,217
	USD '000	USD '000
Cash at Bank	1	1
Borrowings (Noble loan)	60,810	45,526

(iii) Price risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the statement of financial position at fair value through profit or loss or fair value through other comprehensive income. 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 reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position 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 \$4.226m (2018: \$6.302m) in trade and other payables and borrowings of \$87.215m (2018: \$64.080m) as at 30 June 2019. For an assessment of the Group as a going concern, refer to note 1 a).

	< 6 months	7 - 12 months	1 - 5 years	> 5 years	Total undiscounted cash flows	Total carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30-Jun-19						
Trade payables	1,220	-	-	-	1,220	1,220
Other payables	-	3,006	-	-	3,006	3,006
Borrowings	9,222	10,665	72,871	24,856	117,614	87,215
TOTAL	10,442	13,671	72,871	24,856	121,840	91,441
	< 6 months	7 - 12 months	1 - 5 years	> 5 years	Total undiscounted cash flows	Total carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30-Jun-18						
Trade payables	4,613	0	-	-	4,613	4,613
Other payables	-	1,689	-	-	1,689	1,689
Borrowings	10,428	8,881	41,755	27,249	88,313	64,080
TOTAL	15,041	10,570	41,755	27,249	94,615	70,382

d) Cash flow and fair value interest rate risk

As the Group's variable interest-bearing liabilities amount to only \$0.532m (2018: \$2.587m), its income and operating cash flows are not materially exposed to changes in market interest rates. The Group has \$1.474m (2018: \$1.729m) 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.

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'.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. Critical accounting estimates and judgements (continued)

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 2019 the carrying value of the capitalised Mining Tenements and Mining Development Expenditure is \$174.602m (2018: \$159.089m) as disclosed in note 11. In the current year \$11.326m 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 2019 the carrying value of Property, plant and equipment and Mining Tenements and Mining Development Expenditure is \$30.245m (2018: \$29.563m) and \$174.602 (2018: \$159.089) 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.

Restatement of accounts

Property, plant and equipment and mining tenements

During the year the Group completed a comprehensive review of its property, plant and equipment and mining tenements register. From this review, it was noted that the value of the land in Resgen South Africa (Pty) Ltd had been overstated by \$2.760 million. This was due to the fact that the fixed asset register still included wild game that was purchased as part of the land acquisition in 2013. The Group does not actively manage biological assets and should have expensed this immediately. The error was deemed to be a prior period error, which resulted in the restatement of the accounts.

The Apex Royalty, which was capitalised as part of mining tenements in 2013 was deemed to have been included erroneously in the accounts of Ledjadja Coal (Pty) Ltd, thus an adjustment was necessary in order to correct the prior period error.

	30/06/2018		
	As previously stated	Restatement	As restated
	\$'000	\$'000	\$'000
Statement of financial position			
Property, Plant and Equipment	32,323	(2,760)	29,563
Mining tenements	161,719	(2,630)	159,089
Total assets	197,228	(5,390)	191,838
Equity	223,622	-	223,622
Accumulate losses	(62,531)	(5,390)	(67,921)
Total Equity	122,488	(5,390)	117,098

	30/06/2017		
	As previously stated	Restatement	As restated
	\$'000	\$'000	\$'000
Statement of financial position			
Property, Plant and Equipment	33,081	(2,760)	30,321
Mining tenements	153,677	(2,630)	151,047
Total assets	193,832	(5,390)	188,442
Equity	223,622	-	223,622
Accumulate losses	(52,189)	(5,390)	(57,579)
Total Equity	134,523	(5,390)	129,133

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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Mining tenements and mining development	220	447	(11,501)	(8,987)
Corporate - unallocated	-	104	67	(1,355)
Total for continuing operations	220	551	(11,434)	(10,342)

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

	* Restated	
	2019	2018
	\$'000	\$'000
Segment assets		
Mining tenements and mining development	207,693	191,614
Corporate - unallocated	135	224
	207,828	191,838
Segment liabilities		
Mining tenements and mining development	95,431	74,416
Corporate - unallocated	157	324
	95,588	74,740

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

4. Segment information (continued)

4.4 Other segment information - property, plant and equipment

	Depreciation and amortisation		Additions	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Mining tenements and mining development	258	365	-	6
Corporate - unallocated	-	15	2	-
Total	258	380	2	6

4.5 Other segment information - mining tenements and mining development

	Additions	
	2019 \$'000	2018 \$'000
Mining tenements and mining development	11,326	10,260
Corporate - unallocated	-	-
	11,326	10,260

4.6 Geographical information

	Interest and -other income from external		Non-current assets <i>* Restated</i>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Australia	-	104	-	-
South Africa	220	447	206,124	189,589
Total	220	551	206,124	189,589

*Please refer to Note 3 'Critical accounting estimates and judgements' regarding the restatement as a result of a prior year error.

5 Profit or loss items

		Consolidated	
		2019	2018
		\$'000	\$'000
(a) Total income			
Income from continuing operations			
Interest earned		140	218
		140	218
Other income			
Other income		80	333
		80	333
Total income		220	551
		Consolidated	
		2019	2018
		\$'000	\$'000
(b) Loss for the year includes the following expenses			
Rental expense		2	186
Defined benefit contribution - superannuation		13	15

6 Income tax benefit/(expense)

		Consolidated	
		2019	2018
		\$'000	\$'000
a) Income tax benefit/(expense)			
Current tax		-	-
Deferred tax		-	-
Under/(over) provided in prior years		-	-
		-	-
Income tax benefit/(expense) is attributable to:			
Profit/(loss) from continuing operations		-	-
Loss from discontinued operations		-	-
Aggregate income tax benefit/(expense)		-	-
Deferred income tax expense included in income tax benefit/(expense) comprises:			
Decrease/(increase) in deferred tax assets		-	-
(Decrease)/increase in deferred tax liabilities		-	-
The financial report was authorised for issue by the Directors on 30 September 2019.		-	-

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

6 Income tax benefit/(expense) (continued)

	Consolidated	
	2019	2018
	\$'000	\$'000
b) Numerical reconciliation of income tax (expense)/benefit to <i>prima facie</i> tax payable		
Loss from continuing operations before income tax (expense)/benefit	(6,043)	(10,342)
Tax benefit at the Australian rate of 30%	1,813	3,103
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Share-based compensation benefit/(expense)	151	(61)
Income tax benefit not recognised	(1,964)	(3,042)
Income tax (expense)/benefit	-	-
	Consolidated	
	2019	2018
	\$'000	\$'000
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	18,670	18,076
Potential tax benefit at Australian tax rate of 30%	5,601	5,423

In addition to the above, there are unused tax losses for the subsidiaries of \$16.366mm (2018: \$12.133m) for which a deferred tax asset of \$4.909m (2018: \$3.640m) 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 a 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 A\$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	
	2019	2018
	\$'000	\$'000
Cash at bank and in hand	1,474	1,729
	1,474	1,729

8 Current assets - other receivables

	Consolidated	
	2019 \$'000	2018 \$'000
Receivables	49	37
Government tax refunds	7	45
	56	82

9 Current assets - deposits and prepayments

	Consolidated	
	2019 \$'000	2018 \$'000
Prepayments	137	138
Deposits	38	30
	175	168

10 Non-current assets - property, plant and equipment

	Consolidated				
	Land & Buildings \$'000	Computer Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Opening net book value 01 July 2017	32,238	242	163	438	33,081
Adjustment (note3)	(2,760)	-	-	-	(2,760)
Opening net book value (*restated)	29,478	242	163	438	30,321
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	29,091	116	123	233	29,563
Additions	-	-	2	-	2
Depreciation	(15)	(86)	(29)	(128)	(258)
Effect of foreign exchange differences	931	1	3	3	938
Closing net book value 30 June 2019	30,007	31	99	108	30,245
Assets at cost	32,846	534	303	1,061	34,744
Accumulated depreciation	(78)	(503)	(204)	(953)	(1,738)
Write-off*	(2,761)				(2,761)
Closing net book value 30 June 2019	30,007	31	99	108	30,245

*Please refer to Note 3 'Critical accounting estimates and judgements'

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

11 Non-current assets - mining tenements and mining development

	Consolidated	
	2019 \$'000	Restated* 2018 \$'000
Mining tenements and mining development	174,602	159,089
<i>The Boikarabelo Coal Mine</i>		
Opening net book value (restated - refer to note 3)	159,089	151,047
Additions/movements	11,326	10,260
Effect of foreign exchange differences	4,187	(2,218)
Closing net book value	174,602	159,089

*Please refer to Note 3 'Critical accounting estimates and judgements'

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

Interest of \$5.6m (2018: \$5.6m) has been capitalised and included in mining development costs. The percentage of borrowing costs eligible for capitalisation was 98% (2018: 98%).

The Group's impairment accounting policy is outlined in note 1(h). At 30 June 2019, 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 judgments 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 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 14.52%, a nominal export coal price of US\$82.81/t from 2022 being the forecast timing of first coal production, and a USD:ZAR exchange rate based on the Bloomberg forward curve that has a rate of 13.89 as at July 2019. The ZAR is forecast to weaken considerably relative to the USD thereafter.

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 19.73%; a reduction in the 2022 export coal price to US\$66.58/t; or a weakening of the USD:ZAR exchange rate to 11.58 as at July 2019. 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	
	2019 \$'000	2018 \$'000
Mining related licence deposits	1,277	1,207
	1,277	1,207

13 Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$'000	\$'000
Trade payables	1,220	4,613
Other payables - accrued expenditure	3,006	1,689
	4,226	6,302

14 Current liabilities - provisions

	Consolidated	
	2019	2018
	\$'000	\$'000
Employee benefits - annual leave provision	207	563
	207	563

15 Non-current liabilities - provisions

	Consolidated	
	2019	2018
	\$'000	\$'000
Opening rehabilitation provision	2,150	2,150
Increase in rehabilitation provision	268	-
	2,418	2,150

16 Non-current liabilities - royalties payable

	Consolidated	
	2019	2018
	\$'000	\$'000
Royalties payable	1,625	1,645
	1,625	1,645

Royalties are payable upon the commencement of coal production and were recognised on acquisition of Resgen Africa Holdings Limited. The royalty is calculated on the basis of R2.00 per tonne of coal extracted and sold from the Boikarabelo Coal Mine to a maximum of 15.0 million tonnes. The royalty payable is discounted to present value in line with anticipated production, using a discount rate of 14.99% (2018: 14.99%).

17 Current liabilities - borrowings

	Consolidated	
	2019	2018
	\$'000	\$'000
EHL loan	532	2,076
Noble loan	20,432	17,584
	20,964	19,660

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 is 1 quarterly instalment remaining to be paid as at 30 June 2019 (2018: 5).

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

17 Current liabilities - borrowings (continued)

Noble loan

US\$20 million was drawn down as an unsecured loan from Noble Resources International Pte Ltd (Noble) in March 2014. The Company has signed a number of extensions of the Facility Agreement, whereby Noble agreed to make available further funds to the Company's subsidiary Ledjadja Coal (Pty) Ltd, to fund the operations and development of the mine whilst project funding is secured. The total Facility made available to the company as at 30 June 2019 is US\$44.4 million. US\$42.9 million has been drawn down as at 30 June 2019. The Company executed the Sixth Deed of Amendment and Restatement of the facility agreement and the key terms of the amendment have been documented with Noble and have been executed by the parties. The Facility is now secured by a Share Pledge over Resgen's interest in 74% of the shares in Ledjadja Proprietary Limited, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited. Approval for granting this security to a substantial shareholder was obtained from Shareholders at the AGM held on 30 November 2018. The additional funds made available can be drawn in monthly tranches over the period to 30 September 2019. It is repayable in quarterly instalments of capital and interest over 78 months commencing in 30 September 2019 and has an annual interest rate of 10.75%. Refer to subsequent events (Note 26) for details of the proposed extension of the commencement of production and repayment of the loan.

18 Non-current liabilities - borrowings

	Consolidated	
	2019	2018
	\$'000	\$'000
EHL loan	-	508
Noble loan	66,251	43,912
	66,251	44,420

19 Contributed equity

	Consolidated	
	2019	2018
	Shares	Shares
	'000	'000
Share capital		
Ordinary shares issued	581,380	581,380
	Consolidated	
	2019	2018
	\$'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.

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 the 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, some of the shares have been issued to KMP in respect of share-based compensation.

Date	Details	Number of shares '000	Amount \$'000
01-07-2015	Opening balance	4,205	2,317
10-01-2017	Share-based compensation	(674)	(73)
30-06-2017	Share-based compensation	(1,616)	(78)
30-06-2018	Share-based compensation (shares to be issued 30 June 2018)	-	(42)
30-06-2018	Share-based compensation	(1,779)	(45)
30-06-2019	Closing balance	136	2,079

d) Current movements

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 2019. All previously issued options expired by 30 June 2014.

f) Share-based payment reserve

	Number of options/rights 2019 '000	Value of options/rights 2019 \$'000	Number of options/rights 2018 '000	Value of options/rights 2018 \$'000
Options				
Options granted previously and expired	-	-	-	-
Transfer of option premium reserve to earnings	-	-	-	-
Closing balance	-	-	-	-
Performance share rights				
Opening balance	5,700	1,026	5,750	910
Employee share plan expense/(credit) - apportionment of share rights over entitlement period	-	-	-	125
Performance rights forfeited*	(2,500)	(503)	(50)	(9)
Closing balance	3,200	523	5,700	1,026
Total options and performance share rights	3,200	523	5,700	1,026

* 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

19 Contributed equity (continued)

g) Movement in performance share rights

Date	Details	Number of rights '000	Issue price \$	Amount \$'000
30-06-2016	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)
30-06-2019	Performance rights forfeited	(2,500)	-	(503)
30-06-2019	Balance	3,200	-	523

As at 30 June 2019 there are 3 holders of the total performance share rights of 3.2 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. 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 CPP 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	
	2019	2018
	\$'000	\$'000
a) Reserves		
Other contributed equity	1,085	1,085
Share-based payment reserve	523	1,026
Treasury shares - refer note 19 c)	(2,079)	(2,079)
Foreign currency translation reserve	(37,049)	(38,635)
	(37,520)	(38,603)

The other contributed equity comprises of a share premium for Fairy Wing Trade (BEE partner) on the Lukale buyout of Waterberg One Coal (Pty) Ltd, which is one of the subsidiaries of Resource Generation. Share-based payment reserve is the employee performance share scheme. Treasury shares are sign-on incentives shares for KMP upon joining the company and the foreign currency translation reserve is the translation of all non-AUD transactions.

	Consolidated	
	2019	2018
	\$'000	\$'000
Movement in reserves		
Share-based payment reserve		
Opening balance	1,026	910
Employee share plan (credit)/expense	(503)	116
Balance at the end of the year	523	1,026

Treasury shares

Opening balance	(2,079)	(2,124)
Share-based compensation	-	87
Share-based compensation (shares to be issued, vested on 30 June 2018)	-	(42)
Balance at the end of the year	(2,079)	(2,079)

Foreign currency translation reserve

Opening balance	(38,635)	(36,781)
Movement for the period ¹	1,586	(1,854)
Balance at the end of the year	(37,049)	(38,635)

1. Foreign currency translation reserve movements arise from an approximate 3% appreciation of the Rand against the Australian Dollar during the year ended 30 June 2019 (2018: 1% depreciation).

Consolidated	
2019	2018
\$'000	\$'000
	*Restated

b) Accumulated losses

Opening balance	(67,921)	(57,579)
Loss for the year	(6,043)	(10,342)
Balance at the end of the year	(73,964)	(67,921)

*Please refer to Note 3 'Critical accounting estimates and judgements' regarding the restatement as a result of a prior year error.

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	
	2019	2018
	\$	\$
a) Audit and review of financial reports (2019: BDO, 2018 : Deloitte)	85,657	137,573
b) Other services		
Taxation and JSE sponsor services (South Africa)	-	21,616
Corporate consulting (South Africa)	-	6,031
	-	27,647

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. BDO Audit Pty Ltd has been awarded these assignments on a competitive basis. Deloitte (South Africa) and PwC (Australia) remain the tax consultants for the Group. It is the Company's policy to seek competitive tenders for all major material consulting projects.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

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	
	2019	2018
	\$	\$
Short-term employee benefits	2,061,430	2,791,884
Long-term benefits (superannuation)	13,014	14,725
	2,074,444	2,806,609
Share-based compensation expense	(360,000)	104,006
Total remuneration for key management personnel	1,714,444	2,910,615

b) Parent entities

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

c) Subsidiaries

Interests in subsidiaries are set out in note 23.

d) Related parties

The Group has borrowings of US\$42.9 million plus accrued interest of US\$17.9 million from Noble Resources International Pte Limited (Noble). Noble has a 13.69% shareholding in the Company as at 30 June 2019 (2018: 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 FY 18 (ASX Announcement 11 December 2017) the Company 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 annual for year 1 to 3 and 0.2 Mt from year 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 one of the Non-Executive Directors whereby the Director will arrange for negotiations in respect to an economic rail freight tariff reduction. Any such reduction in the tariff will be subject to an annual success fee payable following the signing of a contract with TFR reflecting the reduced tariff. The agreement was entered into prior to the Director being appointed.

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 period Ledjadja Coal paid an amount of A\$15,005 and the agreement between Noble and Ledjadja Coal was terminated.

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	
			2019 %	2018 %
Resgen Mauritius Limited	Mauritius	Ordinary	100	100
Resgen South Africa (Pty) Ltd - owned 100% by Resgen Mauritius Limited	South Africa	Ordinary	100	100
Waterberg One Coal (Pty) Limited - owned 74% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	74	74
Resgen SA Farms (Pty) Limited - owned 100% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	100	100
Resgen Africa Holdings Limited	Mauritius	Ordinary	100	100
Ledjadja Coal (Pty) Limited - owned 74% by Resgen Africa Holdings (Pty) Limited	South Africa	Ordinary	74	74
Resgen Share Plan Pty Limited	Australia	Ordinary	100	100
Resgen Scrip Lending Pty Limited	Australia	Ordinary	100	100

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

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

24 Dividends

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

25 Commitments

	Consolidated	
	2019 \$'000	2018 \$'000
a) Lease commitments for premises		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	31	55
Later than one year, but not later than 5 years	-	-
	31	55
Non-cancellable operating leases on premises	31	55
	31	55

b) Capital commitments

The Group has no unconditional commitments in respect of the development of the Boikarabelo Coal Mine (2018: \$0.100 million) at 30 June 2019.

There is a potential property acquisition of \$11.300 million (2018: \$11.300 million) contingent to events subsequent to the commencement of mine production.

26 Events occurring after the reporting period

The Company has received a written 'in-principle' commitment from Noble Resources International Pte Ltd for a further amendment to the Facility Agreement to make available additional funds of up to US\$2.5 million to the Company's subsidiary, Ledjadja Coal Proprietary Limited to fund operations until Financial Close is achieved in February 2020.

The 'in-principle' commitment to provide additional funds is subject to Noble Board approval in early October 2019 and is to be made available on the same terms as the Sixth Deed of Amendment and Restatement to the Facility Agreement and can be drawn in monthly tranches over the period to 28 February 2020. The date of commencement of loan repayments will also be deferred from 30 September 2019 to February 2020. The commitment is also subject to the Company and Ledjadja Coal obtaining all necessary internal and regulatory approvals or waivers.

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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

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

	Consolidated	
	2019 \$'000	2018 \$'000
Loss for the year	(6,043)	(10,342)
Depreciation	258	380
Share-based compensation (credit)/expense	(503)	203
Unrealised foreign exchange loss	1,132	3,006
Interest expense on loans	560	1,622
Accrual for:		
BurnVair fees	1,081	-
Changes in operating assets and liabilities:		
(Decrease)/in trade and other payables	(2,178)	(1,883)
(decrease)/increase in provisions	(89)	238
(increase)/decrease in trade and other receivables	(51)	935
Net cash outflow from operating activities	(5,833)	(5,841)

27 (ii) Net debt reconciliation

	Consolidated	
	2019 \$'000	2018 \$'000
Cash and cash equivalents	1,474	1,729
Financial liabilities - repayable within one year	(20,964)	(19,660)
Financial liabilities - repayable after one year	(66,251)	(44,420)
Net debt at 30 June 2019	(85,741)	(62,351)

27(iii) Reconciliation of liabilities arising from cash flows from financing activities

	2018	Cash flows				Non-cash movements	2019
	Opening balance \$'000	Proceeds \$'000	Repayments \$'000	Interest paid \$'000	Foreign exchange movement \$'000	Interest expense \$'000	Closing balance \$'000
Borrowings	64,080	13,371	(2,240)	(0)	3,818	8,186	87,215

28 Earnings per share

	Consolidated	
	2019 Cents	2018 Cents
a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.0)	(1.8)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(1.0)	(1.8)
b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.0)	(1.8)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(1.0)	(1.8)
c) Headline earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.0)	(1.8)
Total headline earnings per share attributable to the ordinary equity holders of the Company	(1.0)	(1.8)
d) Reconciliation of earnings used in calculating earnings per share		
	Consolidated	
	2019 \$'000	2018 \$'000
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(6,043)	(10,342)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(6,043)	(10,342)
Headline loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(6,043)	(10,342)

e) Weighted average number of shares used as the denominator

	Consolidated	
	2019	2018
	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	581,243,508	581,243,508
Weighted average number of ordinary shares used as the denominator in calculating headline earnings per share	581,243,508	581,243,508

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	
	2019	2018
	\$'000	\$'000
Guarantee for rehabilitation	2,418	2,216
Less: Funds available on GuardRisk policy	(1,371)	(1,119)
Contingent liabilities 30 June	1,047	1,097

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

30 Parent entity financial information

a) Summary financial information

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

	Parent	
	2019	2018
	\$'000	\$'000
Balance sheet		
Current assets		
Cash and cash equivalents	122	199
Trade and other receivables	13	32
Deposits and prepayments	-	-
	135	231
Non-current assets		
Investments	71,752	73,831
Related party loans	119,329	117,755
	191,081	191,586
Total assets	191,216	191,817
Current liabilities		
Trade and other payables	158	323
	158	323
Total liabilities	158	323
Net assets	191,058	191,494
Shareholders' equity		
Contributed equity	223,622	223,622
Reserves		
Share-based payment reserve	523	1,026
Treasury shares	(2,079)	(2,079)
Other contributed equity	1,085	1,085
Accumulated losses	(32,093)	(32,160)
Total equity	191,058	191,494
Profit/(loss) for the year	67	(2,741)
Total comprehensive profit/(loss)	67	(2,741)

b) Guarantees entered into by the parent entity

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

Letters of support have been provided to all subsidiaries to confirm that the parent entity will continue to provide financial support to enable them to continue in operation for 12 months from 30 September 2019. 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 2019, the parent entity had no contingent liabilities.

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

As at 30 June 2019, 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 14 to 62 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 2019 and of the performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) note 1 a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



L Xate
Chairman
Johannesburg
30 September 2019

Independent auditor's report

to the members of Resource Generation Limited



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2019, 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 report, 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 2019 and of its financial performance for the year ended on that date; 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 *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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's report continued

to the members of Resource Generation Limited



Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

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

Capitalisation of Mining Tenements and Mining Development expenditure

Key audit matter	How the matter was addressed in our audit
Refer to Note 11 in the financial report. The Group capitalised significant mining tenements and mining development assets in relation to the Boikarabelo Coal Mine. In the current year, additional development expenditure of \$11.326 million has been capitalised. This is a key audit matter as 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.	Our procedures, amongst others, included: - Reviewing the design and implementation of key controls management has in place to determine whether costs meet the criteria for capitalisation - Enquiring management and obtaining a status update of the mine development including key activities undertaken during the year - Reviewing whether borrowing costs, which includes interest and foreign exchange differences on foreign currency borrowings, as well as internal payroll costs associated with development of mine meet the criteria for capitalisation - Selecting a sample of capitalised mining development expenditure and agreeing to supporting documentation, as well as ensuring they qualify for recognition as assets under AASB 116 <i>Property, Plant and Equipment</i> - Ensuring that the Group's mining rights are maintained in good standing - Reviewing the adequacy of disclosures in the financial statements

Independent auditor's report continued

to the members of Resource Generation Limited



Impairment assessment for Property, Plant and Equipment ('PP&E') and Mining Tenements and Mining Development Expenditure

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Refer to Notes 3 and 11 in the financial report. As a result of the funding uncertainty the Group assessed its PP&E and mining tenements and mining development expenditure in respect of the Boikarabelo Coal Mine for impairment indicators. Under Australian Accounting Standards, if impairment indicators are detected the Group is required to perform an impairment assessment. Movement in foreign exchange rates and interest rates were determined to be impairment indicators for the Boikarabelo Coal Mine and the Group undertook an impairment assessment using a present value of future cash flow model. This was a key audit matter due to the significant carrying value of the Group's PP&E and mining tenements and mining development assets which are subject to the judgements and assumptions in determining whether there are any impairment charges.	Our procedures, amongst others, included: • Evaluating the Group's assessment of whether there were any indicators of impairment at 30 June 2019 • Obtaining an understanding of the impairment model and ensuring key assumptions are consistently applied throughout the year; • Comparing coal price assumptions against third-party forecasts, peer information and relevant market data to determine whether the Group's forecasts were within the range • Assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, risk-free rate and gearing ratios, assisted by our internal valuation experts • Reviewing the Group's reserve estimation against reports provided by external experts and assessing their scope of work and findings • Reviewing other key assumptions and estimates contained within the impairment assessment model to external data and other sources • Reviewing existing off-take agreements with the Group's external customers to understand the level of contracted coal sales • Performing sensitivity analysis on key assumptions used by the Group to assess the impact on forecasted cash flows • Assessing the adequacy of disclosures in the financial statements

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Independent auditor's report continued

to the members of Resource Generation Limited

Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Independent auditor's report continued

to the members of Resource Generation Limited



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 30 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Resource Generation Limited, for the year ended 30 June 2019, 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.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Richard Swaby', is written over a faint, larger 'BDO' watermark.

Richard Swaby
Director

Brisbane, 30 September 2019

Supplementary information

Translation of financial information to the South African Rand

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

	2019	2018
Cumulative average rate of exchange (A\$/Rand)	10.1338	9.9494
Closing rate of exchange (A\$/Rand)	9.8545	10.1426

Statements of comprehensive income - ZAR convenience translation (Supplementary Information)

For the year ended 30 June 2019

	Consolidated	
	2019	2018
	R'000	R'000
Interest revenue	1,417	2,165
Other	814	3,313
	<u>2,231</u>	<u>5,478</u>
Administration, rent and corporate	(29,531)	(31,948)
Depreciation of property, plant and equipment	(2,615)	(3,781)
Employee benefits expense	(18,930)	(24,545)
Finance expenses	(6,020)	(16,178)
Share-based compensation credit/expense	5,097	(2,020)
Unrealised foreign exchange movements	(11,472)	(29,908)
Loss before income tax	<u>(61,240)</u>	<u>(102,902)</u>
Income tax benefit/(expense)	-	-
Loss from continuing operations	(61,240)	(102,902)
Loss for the year	<u>(61,240)</u>	<u>(102,902)</u>
Other comprehensive (income)/loss	16,072	(18,446)
Total comprehensive (loss)/income	<u>(45,168)</u>	<u>(121,348)</u>
Loss is attributable to:		
Owners of Resource Generation Limited	<u>(61,240)</u>	<u>(102,902)</u>
Total comprehensive (loss)/income for the year is attributable to:		
Owners of Resource Generation Limited	<u>(45,168)</u>	<u>(121,348)</u>
Loss per share for loss from continuing operations	Cents	Cents
Basic loss per share	(10.5)	17.7
Diluted loss per share	(10.5)	17.7

Balance sheets – ZAR translation (Supplementary information) as at 30 June 2019

	Consolidated	
	2019	2018
	R'000	R'000
Current assets		
Cash and cash equivalents	14,523	17,538
Trade and other receivables	552	832
Deposits and prepayments	1,725	1,704
	<u>16,800</u>	<u>20,074</u>
Non-current assets		
Property, plant and equipment	298,049	327,840
Mining tenements and mining development	1,720,612	1,640,258
Deposits and loan receivables	12,584	12,242
	<u>2,031,245</u>	<u>1,980,338</u>
TOTAL ASSETS	<u>2,048,045</u>	<u>2,000,412</u>
Current liabilities		
Trade and other payables	41,645	63,914
Provisions	2,040	5,710
Borrowings	206,589	199,404
	<u>250,274</u>	<u>269,028</u>
Non-current liabilities		
Provisions	23,828	21,807
Borrowings	652,869	450,536
Royalties payable	16,014	16,685
	<u>692,711</u>	<u>489,028</u>
TOTAL LIABILITIES	<u>942,985</u>	<u>758,056</u>
NET ASSETS	<u>1,105,060</u>	<u>1,242,356</u>
Equity		
Contributed equity	2,229,377	2,229,377
Reserves	(395,438)	(352,798)
Accumulated losses	(728,879)	(634,223)
TOTAL EQUITY	<u>1,105,060</u>	<u>1,242,356</u>

Cash flow statements – ZAR translation (Supplementary information) for the year ended 30 June 2019

	Consolidated	
	2019	2018
	R'000	R'000
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of government charges)	(60,185)	(43,824)
Interest received	1,419	1,865
Finance costs	(345)	(31)
Taxation refunds/(payments)	-	10
Net cash outflow from operating activities	(59,111)	(41,980)
Cash flows from investing activities		
Payments for property, plant and equipment	(20)	(1,896)
Payments for mining tenements and mining development	(56,740)	(68,373)
Net cash outflow from investing activities	(56,760)	(70,269)
Cash flows from financing activities		
Repayment of borrowings	(22,700)	(28,669)
Drawdown of borrowings	135,500	69,981
Net cash inflow from financing activities	112,800	41,312
Net decrease in cash and cash equivalents	(3,071)	(70,937)
Cash and cash equivalents at the beginning of the year	17,538	131,421
Effects of exchange rate movements on cash and cash equivalents	55	(42,946)
Cash and cash equivalents at the end of the year	14,522	17,538

Foreign currency translation reserve movements arise from an approximate 3% appreciation of the Rand against the Australian Dollar during the year ended 30 June 2019 (2018: 1% depreciation).

Shareholder information

as at 30 August 2019

1. Substantial Shareholders

The names of the substantial shareholders and the number of shares to which they are entitled are:

Name	Number of Shares	Percentage
Government Employees Pension Fund (PIC)	86,081,510	14.81%
Noble Resources International Pte Ltd	79,609,933	13.69%
Shinto Torii Inc	62,124,089	10.69%
Integrated Coal Mining Ltd & Associates	30,463,175	5.24%

2. Ordinary shares on Issue

(a) The total number of ordinary shares on issue - 581,380,338

484,754,336 ordinary shares are quoted on the Australian Securities Exchange (ASX) under the code RSE and 96,626,002 are quoted on the Johannesburg Stock Exchange (JSE) under the code RSG.

(b) Distribution of ordinary shares:

Range of holding	Total holders	Number of shares	% Issues Capital
1 - 1,000	568	248,670	0.04%
1,001 - 5,000	635	1,827,341	1.31%
5,001 - 10,000	339	2,771,002	0.48%
10,001 - 100,000	798	31,516,733	5.42%
100,001 and over	369	545,016,592	92.75%
Total	2709	581,380,338	100.00%

c) The number of ordinary shareholders holding less than a marketable parcel (4,545 shares) is 1,113 representing 1,630,118 ordinary shares (0.28%)

d) The 20 largest ordinary shareholders together held 397,698,605 shares representing 68.41% of the total issued ordinary shares

3. Voting Rights

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

No voting rights attached to options or performance rights.

Shareholder information continued

as at 30 August 2019

Name	No. of Shares	%age
1 Government Employees Pension Fund (PIC)	83,000,000	14.28%
2 Noble Resources International Pte Ltd	79,609,933	13.69%
3 Shinto Torii Inc	62,124,089	10.69%
4 Everitt Holdings Limited	22,727,273	3.91%
5 Yapp Pty Ltd	19,217,121	3.31%
6 Bnp Paribas Nominees Pty Ltd	19,168,355	3.30%
7 Integrated Coal Mining Limited	18,268,053	3.14%
8 Jenfre Nominees Pty Ltd	15,000,000	2.58%
9 Bantal Singapore Pte Ltd	12,195,122	2.10%
10 Birch Pct Pty Ltd/Birch Family Super Fund Pty Ltd	16,930,849	2.91%
11 Mr Ronald Charles Tyack	10,203,267	1.76%
12 Citicorp Nominees Pty Limited	6,787,454	1.17%
13 Lukale Mining Company (Pty) Ltd	6,784,334	1.17%
14 Rogers Family Super Fund Pty Ltd	5,212,943	0.90%
15 Mr Izak Zirk Van Der Bank	4,067,717	0.70%
16 Rp & Aj Hall Management Pty Ltd	4,000,000	0.69%
17 Metallica Investments Pty Ltd	3,188,266	0.55%
18 Mr Stephen James Matthews	3,166,667	0.54%
19 J P Morgan Nominees Australia Pty Limited	3,047,162	0.52%
20 Appwam Pty Limited	3,000,000	0.52%
Total Top 20 holdings	397,698,605	68.41%
Total of ordinary shares on issue	581,380,338	100.00%

5. Details of unlisted options

There are no unlisted options however there are 3,200,000 performance share rights granted to 3 current employees.

6. Share Registry Details

Boardroom (Pty) Limited
Level 7, 207 Kent Street, Sydney NSW 200, Australia

Telephone: (02) 9290 9600

Free Call: 1300 737 760

Facsimile

Website:

(02)9279 0664

www.boardroomlimited.com.au

Coal Resources and Coal Reserves statement

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 not 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

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 2019

	Inferred Resource (Mt)	Indicated Resource (Mt)	Measured Resource (Mt)	2019 Total Resource (Mt)	2018 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	981.1
Total	1,479.6	1,065.1	910.8	3,455.5	3,455.5

(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.

Coal Resources and Coal Reserves statement continued

2. Coal Resources Statement as at 30 June 2019 (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 2019

	2019 Probable Reserve	2018 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

- * 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 2019 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 2019. 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

Directors

Lulamile Xate (Chairman)
Leapeetswe Molotsane
Colin Gilligan
Michael Gray
Rob Croll
Greg Hunter
Dr Konji Sebati
Manish Dahiya (alternate)

Company secretary

Michael Meintjes

Auditors

BDO Audit (Pty) Limited
Level 10, 12 Creek Street
Brisbane QLD 4000
Australia

Bankers

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

Registered office

Level 1
17 Station Road
Indooroopilly QLD 4068
Australia

Telephone: +27 11 010 6310

Website: www.resgen.com.au

Principal place of business

Ground Floor, Ironwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston 2191
Gauteng
South Africa

Stock exchange listing

Securities of Resource Generation Limited are listed on both the Australian Stock Exchange (ASX) and the Johannesburg Stock Exchange (JSE).

ASX Code: RES

JSE Code: RSG

Share registry

Boardroom (Pty) Limited
Level 12
225 George Street
Sydney NSW 2000
Australia

Investor Enquiries: +61 2 9290 9600

Facsimile: +61 2 9279 0664

Website: www.boardroomlimited.com.au

Transfer secretaries

Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa

Investor Enquiries: +27 11 370 5000

Website: www.computershare.co.za

JSE sponsor

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

Country of incorporation

Australia



www.resgen.com.au