

Resource Generation Ltd

ABN 91 059 950 337

Financial Report - 30 June 2022

Resource Generation Ltd
Directors' report
30 June 2022

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2022.

Directors

The following persons were Directors of Resource Generation Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Current

Campbell Welch (appointed 27 May 2022)
Keith Glennan (appointed 27 May 2022)
Peter Ziegler (appointed 27 May 2022)

Former

Lulamile Xate (resigned 1 June 2022)
Rob Croll (resigned 3 February 2022)
Colin Gilligan (resigned 4 February 2022)
Leapeetswe (Papi) Molotsane (resigned 31 January 2022)
Michael Gray (resigned 4 February 2022)

Principal activities

During the current financial year, the Company was placed in Voluntary Administration on 2 July 2021 and as a consequence of a recapitalisation proposal being approved by creditors, a Deed of Company Administration was signed on 10 February 2022 and the Deed Administrators retired on 27 May 2022.

Incomplete records

To prepare this financial report, the Directors who were only appointed on 27 May 2022, have reconstructed the financial records of the Company using data provided by the Voluntary Administrators (refer to *Significant changes in state of affairs*) and extracted from the Company's accounting records for the year. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the financial statements. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the external administration of the Company.

Consequently, and although the Directors have prepared this financial report to the best of their knowledge based on the information that is available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the Company after providing for income tax amounted to \$112,099,675 (30 June 2021: loss of \$239,961,696).

Significant changes in the state of affairs

On 2 July 2021, William James Harris, Anthony Norman Connelly and Jason Preston of McGrathNicol, were appointed Voluntary Administrators of the Company.

A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of the Company via a Deed of Company Arrangement and Creditors Trust, was submitted to the Deed Administrators ("Recapitalisation Proposal") on 14 January 2022. A creditors' meeting was convened by the Deed Administrators to consider the Recapitalisation Proposal. Creditors accepted the Recapitalisation Proposal on 10 February 2022, and the Deed of Company Arrangement was signed on 10 February 2022.

In terms of the Recapitalisation Proposal, the Company shareholders approved the following at a general meeting of the Company held on 27 May 2022:

- Consolidation of the Company shares on a 1:72 basis;
- The issue of 92,000,000 ordinary shares to raise \$235,000; and
- The appointment of 3 new Directors to the Company

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The Deed Administrators retired following the passing of all resolutions of the recapitalisation proposal and \$225,000 of the proceeds from the issue of the shares was paid to the Deed Administrators. A Recapitalisation Fund was created to pay unsecured creditors, and from which costs, charges and expenses of the Deed Administrators were paid.

The Company maintained a secondary listing on the Johannesburg Stock Exchange (JSE). In February 2022, Deloitte & Touche Sponsor Services (Pty) Ltd resigned as JSE Sponsor for the Company and the JSE was advised that the Company's secondary listing be removed.

The Company's primary operating subsidiary, Ledjadja Coal (Pty) Limited, which is registered in South Africa, was placed in provisional liquidation on 26 July 2021 in accordance with relevant South African law and this is a separate process to the voluntary administration of the Company. Administrators were not appointed to the subsidiaries incorporated in Australia (Resgen Scrip Lending Pty Ltd and Resgen Share Plan Pty Limited).

There were no other significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

Listing on the Australian Securities Exchange

On 27 October 2022, the Company was removed from the Official list of the Australian Securities Exchange (ASX).

Convertible notes

During the period July 2022 to June 2023, the Company issued unsecured convertible notes for \$500,000. The notes have a term of 12 months and interest is payable at 8% per annum commencing in the 4th month. Noteholders may convert the principal into shares in the Company at any time during the term of the notes using a conversion price of 14 cents per share. The notes automatically convert into ordinary shares in the Company in the event that the Company re-lists on the ASX using a conversion price of 14 cents per share.

Freedom Care Group

On 9 October 2022, the Company entered into an agreement to acquire 100% of the issued capital of Freedom Care Group Pty Ltd, subject to a successful listing of the combined entity on the ASX. A revised agreement was subsequently entered into on 5 May 2023.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name: Campbell Welch (appointed 27 May 2022)
Title: Non-executive Chairman
Experience and expertise: Mr Welch has over 15 years of experience in accounting and financial markets, both in Australia and the UK. He is currently a senior advisor at Novus Capital Ltd, a boutique corporate advisory and share dealing firm headquartered in Sydney, Australia. His prior work experience includes appointments at AMP, Challenger Ltd and Royal London Asset Management.

Name: Keith Glennan (appointed 27 May 2022)
Title: Non-executive Director
Experience and expertise*: Mr Glennan has been in the IT industry for over 30 years, initially with Hewlett-Packard and then with IBM. He has co-founded multiple successful start-up companies (in Australia and in the US) including Tesserent (ASX: TNT), which listed on the ASX in 2016 and for which he served as founding CEO and managing director. Mr Glennan has been actively involved in various start-up companies for the last few years, providing investment funds, strategic advice, and board mentorship. In addition to his ASX experience, Mr Glennan has extensive general commercial experience, especially in the area of mergers and acquisitions.

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Name: Peter Ziegler (appointed 27 May 2022)
Title: Non-executive Director
Experience and expertise: Mr Ziegler is an experienced company director, solicitor and chartered accountant. He was partner at the accounting firm Ernst & Young, specialising in taxation and corporate structuring. Mr Ziegler is a principal of Ziegler Asset Partners, an asset management company.

Name: Lulamile Xate (resigned 1 June 2022)
Title: Non-executive Chairman
Experience and expertise*: 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.

Name: Rob Croll (resigned 3 February 2022)
Title: Non-executive Director
Experience and expertise*: Mining engineer with over 40 years' experience; served in senior management positions in De Beers Consolidated Mines Limited and Anglo American Corporation of South Africa Ltd; played a major role in managing the due diligence process for acquisitions for AngloGold Ashanti Limited.

Name: Colin Gilligan (resigned 4 February 2022)
Title: Non-executive Director
Experience and expertise*: Mining engineer with extensive experience in contract mining and project construction; 30 years' experience including as 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.

Name: Leapeetswe (Papi) Molotsane (resigned 31 January 2022)
Title: Managing Director and Chief Executive Officer
Experience and expertise*: Distinguished business career, having served as board member and Chief Executive Officer (CEO) of Telkom; served as Group Executive of Transnet and CEO of Fedics.

Name: Michael Gray (resigned 4 February 2022)
Title: Non-executive Director
Experience and expertise*: Civil engineer with MBA; more than 25 years' experience in the planning, approval, financing and development of resource and infrastructure projects.

* The information for all former Directors has been extracted from the annual financial report of Resource Generation Limited for the financial year ended 30 June 2020 and was current at that date.

Company secretary

Wayne Kernaghan was appointed Company Secretary on 27 May 2022. Michael Meintjes was Company Secretary from 26 November 2015 to 12 March 2021 and Eryl Baron was Company Secretary from 12 March 2021 to 27 May 2022.

Meetings of Directors

There were no meetings of Directors held during the year ended 30 June 2022.

Shares under option

There were no unissued ordinary shares of Resource Generation Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Resource Generation Ltd issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 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.

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 immediately after this Directors' report.

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors



Campbell Welch
Director

31/7/2023

Resource Generation Ltd
Auditor's independence declaration



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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 2022, 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.

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a light blue horizontal line.

R M Swaby
Director

BDO Audit Pty Ltd
Brisbane, 31 July 2023

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General information

The financial statements cover Resource Generation Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Resource Generation Ltd's functional and presentation currency.

Resource Generation Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 706
Level 7
89 York Street
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31/7/2023 2023. The Directors have the power to amend and reissue the financial statements.

Resource Generation Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$	2021* \$
Revenue			
Other income	3	-	96,877
Interest revenue		-	26,786
Expenses			
Administration, rent and corporate		(49,933)	(470,008)
Employee benefits expense		(4,584)	(671,529)
Depreciation and amortisation expense		-	(46,852)
Impairment of investment in subsidiaries and loans to subsidiaries		-	(137,745,853)
Gain/(Loss) on financial guarantee contract	10	112,233,000	(112,233,000)
Recapitalisation	4	(78,808)	-
Unrealised foreign exchange movements		-	11,095,442
Finance costs		-	(13,559)
Profit/(loss) before income tax expense		<u>112,099,675</u>	<u>(239,961,696)</u>
Income tax expense	5	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Resource Generation Ltd	13	<u>112,099,675</u>	<u>(239,961,696)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	(1,865,808)
Foreign currency reserve relating to deconsolidated subsidiaries transferred to profit or loss		-	36,717,808
Other comprehensive income for the year, net of tax		<u>-</u>	<u>34,852,000</u>
Total comprehensive income for the year attributable to the owners of Resource Generation Ltd		<u><u>112,099,675</u></u>	<u><u>(205,109,696)</u></u>

* The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to ensure this disclosure is complete.

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

Resource Generation Ltd
Statement of financial position
As at 30 June 2022

	Note	2022 \$	2021* \$
Assets			
Current assets			
Cash and cash equivalents	6	8,419	133,882
Trade and other receivables	7	1,765	6,752
Total current assets		<u>10,184</u>	<u>140,634</u>
Total assets		<u>10,184</u>	<u>140,634</u>
Liabilities			
Current liabilities			
Trade and other payables	8	59,202	302,826
Borrowings	9	11,499	-
Financial guarantee contract	10	-	112,233,000
Total current liabilities		<u>70,701</u>	<u>112,535,826</u>
Total liabilities		<u>70,701</u>	<u>112,535,826</u>
Net liabilities		<u>(60,517)</u>	<u>(112,395,192)</u>
Equity			
Issued capital	11	223,858,207	223,623,207
Reserves	12	-	(506,346)
Accumulated losses	13	(223,918,724)	(335,512,053)
Total deficiency in equity		<u>(60,517)</u>	<u>(112,395,192)</u>

* The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to ensure this disclosure is complete.

Resource Generation Ltd
Statement of changes in equity
For the year ended 30 June 2022

	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2020	223,623,207	(35,358,346)	(95,550,357)	92,714,504
Loss after income tax expense for the year	-	-	(239,961,696)	(239,961,696)
Other comprehensive income for the year, net of tax	-	34,852,000	-	34,852,000
Total comprehensive income for the year	-	34,852,000	(239,961,696)	(205,109,696)
Balance at 30 June 2021*	<u>223,623,207</u>	<u>(506,346)</u>	<u>(335,512,053)</u>	<u>(112,395,192)</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2021	223,623,207	(506,346)	(335,512,053)	(112,395,192)
Profit after income tax expense for the year	-	-	112,099,675	112,099,675
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	112,099,675	112,099,675
Transfer of reserve balances to accumulated losses (note 12)	-	506,346	(506,346)	-
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	235,000	-	-	235,000
Balance at 30 June 2022	<u>223,858,207</u>	<u>-</u>	<u>(223,918,724)</u>	<u>(60,517)</u>

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

Resource Generation Ltd
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 \$	2021* \$
Cash flows from operating activities			
Payments to suppliers		(371,962)	(985,781)
Interest received		-	26,786
Interest and other finance costs paid		-	(13,559)
		<u>(371,962)</u>	<u>(972,554)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		-	(6,217)
Payments for mining tenements and mining development		-	(2,579,000)
Net cash outflow from deconsolidation of subsidiaries		-	(579,394)
		<u>-</u>	<u>(3,164,611)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	11	235,000	-
Proceeds from borrowings		11,499	3,997,000
		<u>246,499</u>	<u>3,997,000</u>
Net cash from financing activities			
Net decrease in cash and cash equivalents		(125,463)	(140,165)
Cash and cash equivalents at the beginning of the financial year		133,882	323,047
Effects of exchange rate changes on cash and cash equivalents		-	(49,000)
		<u>-</u>	<u>(49,000)</u>
Cash and cash equivalents at the end of the financial year	6	<u>8,419</u>	<u>133,882</u>

* The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to ensure this disclosure is complete.

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

Resource Generation Ltd
Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Incomplete records

To prepare this financial report, the Directors who were only appointed on 27 May 2022, have reconstructed the financial records of the Company using data provided by the Voluntary Administrators and extracted from the Company's accounting records for the year. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the financial statements. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the external administration of the Company.

Consequently, and although the Directors have prepared this financial report to the best of their knowledge based on the information that is available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company did not prepare a stand-alone financial report for the 30 June 2021 financial year and the comparative financial information in this financial report is for the consolidated entity.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The Directors have prepared the financial report on a going concern basis.

For the financial year ended 30 June 2022, the Company achieved net operating cash outflows of \$371,962. At 30 June 2022, the Company had net current liabilities of \$60,517 and total liabilities of \$60,517.

(a) Convertible notes

Subsequent to the end of the financial year, the Company raised \$500,000 from the issue of convertible notes (refer to note 18). Consequently, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the Company will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

(b) Freedom Care Group

On 9 October 2022, the Company entered into an agreement to acquire 100% of the issued capital of Freedom Care Group Pty Ltd, subject to a successful listing of the combined entity on the ASX. A revised agreement was subsequently entered into on 5 May 2023. The Company is in the final stages of an IPO to raise \$3,200,000 before costs under a prospectus.

While the convertible note issues are sufficient to fund costs in the short term, the Company will be reliant on future funding through equity or further debt issues in order to achieve its objectives of re-listing on the ASX and completion of the Freedom Care Group acquisition.

These conditions give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those 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 Company not continue as a going concern.

Note 1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 in note 2.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables 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 tax authority, are presented as operating cash flows.

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

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

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Notes to the financial statements
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Note 3. Other income

	2022 \$	2021 \$
Other income	-	96,877

Note 4. Expenses

	2022 \$	2021* \$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Recapitalisation</i>		
Payment to Deed Administrators	225,000	-
Net liabilities of the Company at 30 June 2021	(146,192)	-
	78,808	-
<i>Superannuation expense</i>		
Defined contribution superannuation expense	417	13,000

* The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to enable this level of disclosure to be made.

Recapitalisation

On 2 July 2021, William James Harris, Anthony Norman Connelly and Jason Preston of McGrathNicol, were appointed Voluntary Administrators of the Company.

A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of the Company via a Deed of Company Arrangement and Creditors Trust, was submitted to the Deed Administrators ("Recapitalisation Proposal") on 14 January 2022. A creditors' meeting was convened by the Deed Administrators to consider the Recapitalisation Proposal. Creditors accepted the Recapitalisation Proposal on 10 February 2022, and the Deed of Company Arrangement was signed on 10 February 2022.

In terms of the Recapitalisation Proposal, the Company shareholders approved the following at a general meeting of the Company held on 27 May 2022:

- Consolidation of the Company shares on a 1:72 basis;
- The issue of 92,000,000 ordinary shares to raise \$235,000; and
- The appointment of 3 new Directors to the Company.

The Deed Administrators retired following the passing of all resolutions of the recapitalisation proposal and \$225,000 of the proceeds from the issue of the shares was paid to the Deed Administrators. A Recapitalisation Fund was created to pay unsecured creditors, and from which costs, charges and expenses of the Deed Administrators were paid.

The Company's net liabilities at 30 June 2021 were offset against the payment to the Deed Administrators. As detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to enable the identification of the movements in net assets in the Company from 1 July 2021 to 27 May 2022.

Resource Generation Ltd
Notes to the financial statements
30 June 2022

Note 5. Income tax

	2022* \$	2021* \$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	112,099,675	(239,961,696)
Tax at the statutory tax rate of 25% (2021: 26%)	28,024,919	(62,390,041)
Current year temporary differences not recognised	(28,024,919)	62,390,041
Income tax expense	<u>-</u>	<u>-</u>
	2022** \$	2021** \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 25%	-	-

* The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to ensure this disclosure is complete or to enable this level of disclosure to be made.

** Tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The Directors are of the view that the Company is unlikely to meet these tests and disclosure of any potential losses would not be appropriate.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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Notes to the financial statements
30 June 2022

Note 5. Income tax (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 6. Cash and cash equivalents

	2022	2021
	\$	\$
<i>Current assets</i>		
Cash at bank	<u>8,419</u>	<u>133,882</u>

Accounting policy for cash and cash equivalents

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.

Note 7. Trade and other receivables

	2022	2021
	\$	\$
<i>Current assets</i>		
Other receivables	-	6,752
BAS receivable	<u>1,765</u>	<u>-</u>
	<u>1,765</u>	<u>6,752</u>

Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 8. Trade and other payables

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade and other payables	54,618	302,826
Other payables	<u>4,584</u>	<u>-</u>
	<u>59,202</u>	<u>302,826</u>

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Resource Generation Ltd
Notes to the financial statements
30 June 2022

Note 9. Borrowings

	2022 \$	2021 \$
<i>Current liabilities</i>		
Loan - Director	11,499	-

The Director loan is unsecured, interest free and has no fixed repayment terms.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 10. Financial guarantee contract

	2022 \$	2021 \$
<i>Current liabilities</i>		
Financial guarantee contract	-	112,233,000

The Company provided financial guarantees in respect of the loan due by its subsidiary, Ledjadja Coal (Pty) Ltd, to Noble Resources International Pte Ltd As a consequence of Ledjadja Coal (Pty) Ltd being placed in provisional liquidation on 26 July 2021 and being deconsolidated, a liability was recognised by the Company at 30 June 2021 in relation to this financial guarantee.

Subsequent to 30 June 2021, the Company's creditors accepted a Recapitalisation Proposal (the proposal). In terms of the proposal, the Company's shareholders approved the issue of shares for a total cash consideration of \$235,000 of which \$225,000 was paid to the Deed Administrators. The payment to the Deed Administrators was to pay unsecured creditors, and the Administrators' costs and expenses. The financial guarantee liability has been derecognised in the 2022 financial year.

Reconciliation:

	2022 \$	2021 \$
Recognition of financial guarantee at fair value	-	112,233,000
Financial guarantee derecognised	(112,233,000)	-
Closing balance	(112,233,000)	112,233,000

Accounting policy for financial guarantee contracts

Financial guarantee contracts are initially recognised as a liability and are measured at fair value at the time the guarantee is issued. Fair value is determined as the present value of the difference in net cash flows between the contractual payments with and without the guarantee, or the estimated amount payable to a third party for assuming the obligation.

The liability is subsequently measured at the higher of: (i) the amount required to settle the obligation, based on probability of default and the exposure by guarantor discounted to present value, where the time value of money is material or (ii) the amount initially recognised less any cumulative amortisation.

Guarantees issued for no consideration on behalf of subsidiaries or associates are accounted for as contributions at fair value and recognised as part of the cost of the investment.

Resource Generation Ltd
Notes to the financial statements
30 June 2022

Note 11. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>100,073,381</u>	<u>581,380,338</u>	<u>223,858,207</u>	<u>223,623,207</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	581,380,338		223,623,207
Share consolidation (72 to 1)	27 May 2022	(573,306,957)		-
Share issue	24 June 2022	<u>92,000,000</u>	\$0.0026	<u>235,000</u>
Balance	30 June 2022	<u>100,073,381</u>		<u>223,858,207</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Accounting policy for issued capital

Ordinary shares are classified as equity.

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

Note 12. Reserves

	2022 \$	2021 \$
Share-based payments reserve	-	487,000
Treasury shares	-	(2,078,839)
Other contributed equity	-	<u>1,085,493</u>
	<u>-</u>	<u>(506,346)</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Treasury shares

Treasury shares were sign-on incentives shares for key management personnel (KMP) upon joining the Company.

Other contributed equity

The other contributed equity comprised of a share premium for Fairy Wing Trading (BEE partner) on the Lukale buyout of Waterberg One Coal (Pty) Ltd, which is one of the subsidiaries of Resource Generation Ltd.

Resource Generation Ltd
Notes to the financial statements
30 June 2022

Note 12. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial year are set out below:

	Share-based payments reserve \$	Treasury shares \$	Other contributed equity \$	Total \$
Balance at 1 July 2021	487,000	(2,078,839)	1,085,493	(506,346)
Transfer to accumulated losses	(487,000)	2,078,839	(1,085,493)	506,346
Balance at 30 June 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 13. Accumulated losses

	2022 \$	2021 \$
Accumulated losses at the beginning of the financial year	(335,512,053)	(95,550,357)
Profit/(loss) after income tax expense for the year	112,099,675	(239,961,696)
Transfer from Other contributed equity reserve	1,085,493	-
Transfer from Share-based payments reserve	487,000	-
Transfer from Treasury shares reserve	(2,078,839)	-
Accumulated losses at the end of the financial year	<u>(223,918,724)</u>	<u>(335,512,053)</u>

Note 14. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 15. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	2022* \$	2021* \$
Aggregate compensation	<u>-</u>	<u>-</u>

* The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to enable this level of disclosure to be made.

Note 16. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 17.

Key management personnel

Disclosures relating to key management personnel are set out in note 15.

Transactions with related parties

The Company was placed into voluntary administration on 2 July 2021. As a result of this and as detailed in note 1 - *Incomplete Records*, the Directors do not have access to sufficient information to enable this level of disclosure to be made.

Resource Generation Ltd
Notes to the financial statements
30 June 2022

Note 16. Related party transactions (continued)

Loans to/from related parties

The loan from a Director, is unsecured, interest free and has no fixed terms of repayment.

Note 17. Interests in subsidiaries

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Resgen Mauritius Limited	Mauritius	-	100%
Resgen South Africa (Pty) Ltd (i)	South Africa	-	100%
Waterberg One Coal (Pty) Limited (ii)	South Africa	-	74%
Resgen SA Farms (Pty) Limited (iii)	South Africa	-	100%
Resgen Africa Holdings Limited	Mauritius	-	100%
Ledjadja Coal (Pty) Limited (iv)	South Africa	-	74%
Resgen Share Plan Pty Limited	Australia	-	100%
Resgen Scrip Lending Pty Limited	Australia	-	100%
Bula Waterberg Rail Pty Ltd	South Africa	-	100%

- (i) Shares held by Resgen Mauritius Limited
- (ii) Shares held by Resgen South Africa (Pty) Limited
- (iii) Shares held by Resgen South Africa (Pty) Limited
- (iv) Shares held by Resgen Africa Holdings (Pty) Limited

Note 18. Events after the reporting period

Listing on the Australian Securities Exchange

On 27 October 2022, the Company was removed from the Official list of the Australian Securities Exchange (ASX).

Convertible notes

During the period July 2022 to June 2023, the Company issued unsecured convertible notes for \$500,000. The notes have a term of 12 months and interest is payable at 8% per annum commencing in the 4th month. Noteholders may convert the principal into shares in the Company at any time during the term of the notes using a conversion price of 14 cents per share. The notes automatically convert into ordinary shares in the Company in the event that the Company re-lists on the ASX using a conversion price of 14 cents per share.

Freedom Care Group

On 9 October 2022, the Company entered into an agreement to acquire 100% of the issued capital of Freedom Care Group Pty Ltd, subject to a successful listing of the combined entity on the ASX. A revised agreement was subsequently entered into on 5 May 2023.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Resource Generation Ltd
Directors' declaration
30 June 2022

In the Directors' opinion:

- As set out in Note 1, although the Directors have prepared the financial statements and the notes thereto, to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the financial statements, notes thereto, are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards - Simplified Disclosures, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Campbell Welch
Director

31/7/2023

INDEPENDENT AUDITOR'S REPORT

To the members of Resource Generation Limited

Report on the Audit of the Financial Report

Disclaimer of opinion

We were engaged to audit the financial report of Resource Generation Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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.

We do not express an opinion on the accompanying financial report of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report

Basis for disclaimer of opinion

As disclosed in note 1 to the financial statements, on 2 July 2021, Resource Generation Limited was placed into voluntary administration. Following the appointment of the administrators, the powers of the directors and officers of Resource Generation Limited were suspended and the administrators assumed control of the Company's business, property and affairs. New directors were appointed on 27 May 2022 and the Company was released from administration on 24 June 2022, following the settlement of a Deed of Company Arrangement.

Due to the circumstances, the directors were unable to obtain all the necessary books and records pertaining to the Group and the preparation of the financial report. As a result, we were unable to determine whether any adjustments were necessary in respect of the 30 June 2022 financial report and 30 June 2021 financial report.

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 - Simplified Disclosures 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 Company's ability 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 Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Company 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 (including Independence Standards)* (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.

BDO Audit Pty Ltd

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

Richard Swaby
Director

Brisbane, 31 July 2023