RESOURCE GENERATION LIMITED

ABN 91 059 950 337

30 June 2016

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

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

Registered Office:	Level 1 17 Station Road Indooroopilly QLD 4068 Australia	Principal place of business:	Unit 2, Carrera House 15 Sovereign Drive R21 Office Park Irene 0157 South Africa

The financial report was authorised for issue by the Directors on 30 August 2016. The Company has the power to amend and reissue the financial report.

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 Investor page on our website: www.resgen.com.au

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

1. Directors

The following persons were appointed directors of Resource Generation Limited during the period and were still in office at the date of this report:

			Length of Service
Mr D Gately	Chairman	Appointed 26 November 2015	0.6 years
Mr L Xate	Deputy Chairman	Appointed 26 November 2015	0.6 years
Mr R Croll	Non-Executive Director	Appointed 26 November 2015	0.6 years
Mr C Gilligan	Non-Executive Director	Appointed 26 November 2015	0.6 years
Mr L Molotsane	Non-Executive Director	Appointed 26 November 2015	0.6 years
Dr K Sebati	Non-Executive Director	Appointed 26 November 2015	0.6 years

The following persons were directors of Resource Generation Limited from the beginning of the period and removed from office by shareholders at an EGM as indicated below:

Mr B Warner	Chairman	Removed 26 November 2015
Mr P Jury	Managing Director	Removed 26 November 2015
Mr S Matthews	Executive Director	Removed 26 November 2015
Mr G Rose AO	Non-Executive Director	Removed 26 November 2015

Mr M Meintjes was appointed Company Secretary on 26 November 2015. Mr S Matthews was Company Secretary until 26 November 2015.

Information on directors

Denis Gately BA, LLB (Syd), FAICD
Independent
Chairman

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

Other current directorships or former directorships in the last 3 years
None.

Interests in shares and performance share rights
400,000 ordinary shares in Resource Generation Limited

Nil performance share rights

Special responsibilities
Member of the Audit Committee
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

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

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

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

Interests in shares and performance share rights
Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current directorships or former directorships in the last 3 years
None.

Special responsibilities
Chairman of the Audit Committee
Member of the Remuneration Committee

Robert Croll BSc, Mining Engineering, MBA
Independent
Non-Executive Director

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

Interests in shares and performance share rights
Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current directorships or former directorships in the last 3 years
None.

Special responsibilities
Member of the Risk Management Committee
Member of the Nomination Committee

Colin Gilligan BSc Eng (Hons)
Independent
Non-Executive Director

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

Interests in shares and performance share rights
Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current directorships or former directorships in the last 3 years
None.

Special responsibilities
Chairman of the Risk Management Committee
Member of the Nomination Committee

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

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

Interests in shares and performance share rights
Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current directorships or former directorships in the last 3 years
None.

Special responsibilities
Member of the Risk Management Committee

Dr Konji Sebati BSc, MBChB.
Independent
Non-Executive Director

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

Interests in shares and performance share rights
Nil ordinary shares in Resource Generation Limited

Nil performance share rights

Other current directorships or former directorships in the last 3 years
None.

Special responsibilities
Member of the Audit Committee

Meetings of directors
The number of meetings of the Company's Board of Directors held during the year ended 30 June 2016, and the number of meetings attended by each director was:

	Meetings of committees					
	Full meetings of directors		Audit		Risk	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
D Gately	4	4	2	2	-	-
L Xate	4	4	2	2	-	-
R Croll	4	4	-	-	2	2
C Gilligan	4	4	-	-	2	2
L Molotsane	4	4	-	-	2	2
Dr K Sebati	4	4	2	2	-	-
B Warner	15	15	1	1	1	1
P Jury	15	15	-	-	1	1
S Matthews	15	15	-	-	-	-
G Rose	15	15	1	1	1	1

	Meetings of committees			
	Remuneration		Nomination	
	Held	**Attended**	**Held**	**Attended**
D Gately	2	2	-	-
L Xate	2	2	-	-
R Croll	-	-	-	-
C Gilligan	-	-	-	-
L Molotsane	-	-	-	-
Dr K Sebati	-	-	-	-
B Warner	-	-	-	-
P Jury	-	-	-	-
S Matthews	-	-	-	-
G Rose	-	-	-	-

2. Principal activities
During the year the principal continuing activities of the Group consisted of the development of the Boikarabelo Coal Mine in the Waterberg region of South Africa.

3. Operating and financial review

Corporate

Following the receipt on 28 September 2015 of a requisition for a General Meeting from Altius Investment Holdings (Pty) Limited ("Altius") to replace the Company's board, the Company submitted an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the affairs of the Company with orders that, among other things, the Company's majority shareholders, Shinto Torii Inc. (a subsidiary of Altius), Noble Group Limited and Public Investment Corporation of South Africa SOC Limited, be excluded from voting at the General Meeting. The Takeovers Panel declined to make such an order and, at the General Meeting held on 26 November 2015, shareholders approved the election of a new board of directors of the Company as listed above. The new board appointed Mr R Lowe as the Chief Executive Officer effective 26 November 2015.

On 25 November 2015, the day prior to the General Meeting, the former Managing Director of the Company approved the retrenchment of all Sydney office staff. In addition, the former board approved the payment of termination benefits to the two executive directors in their expectation that their position as directors would be terminated at the General Meeting to be held the following day. Termination benefits totalling $2,303,504 were paid to the former board members, executives and staff on the same day. The new board is seeking legal advice in relation to the payment of the termination benefits.

The new board met in South Africa on 14 December 2015 and subsequently the Chairman released a board report to shareholders on 16 December 2015 outlining the board's priorities with respect to rebuilding the executive team, meeting with potential funders, reviewing the Boikarabelo Coal Mine architecture and evaluating alternative mine operating models.

On 22 January 2016, the Company appointed Grant Samuel to advise the Board in connection with the funding of the Boikarabelo Coal Mine project ("the project"). In-depth discussions, including due diligence investigations, with a number of parties concerning proposed funding solutions have taken place during the period. Of the proposals investigated by the Company, the preferred funding solution is the debt funding referred to in previous announcements which is being negotiated with FirstRand Bank Limited, acting through its Rand Merchant Bank division ("RMB"), Noble Group Limited, Public Investment Corporation of South Africa SOC Limited ("PIC"), Industrial Development Corporation Limited ("IDC") and Export Finance and Insurance Corporation ("Efic") (collectively "the Financing Syndicate").

The strategic realignment of the project with South Africa, and the appointment of South African representatives to the Board and the appointment of a South African management team has secured a high degree of comfort and goodwill from the South African-based prospective lenders, RMB, PIC and IDC, from whom the bulk of the debt funding will be sourced.

On 17 February 2016, the Company appointed RMB as lead arranger and co-lender for the financing of the project. RMB is a leading financier in the resource sector in South Africa and enjoys an excellent reputation for the completion of project funding packages, including a recent R10 billion debt facility for a client despite the prevailing difficult economic climate. The Company is confident that RMB and all members of the Financing Syndicate are committed to complete the funding process in the shortest time possible. In conjunction with RMB, the Company is considering other providers of funding and credible solutions will be incorporated into the Financing Syndicate as required.

On 8 August 2016, the Company announced that it had agreed the commercial terms on which the Financing Syndicate will seek their requisite approvals in order to secure funding of R5.52 billion (A$515 million) to complete the construction of the Boikarabelo Coal Mine. The Company has also held discussions with the Export Finance and Insurance Corporation (Efic) with a view to Efic joining the Financing Syndicate. Efic has been included in discussions of the terms and has commenced with its due diligence on the project.

The funding package, which is subject to credit approval by all members of the Financing Syndicate, is expected to provide the remainder of the total funds required to complete construction of the mine and provide the necessary headroom for contingencies. Credit approval and financial close is targeted by end October 2016. On this basis construction of the mine is to be completed by September 2018, with first saleable production in the last quarter of 2018.

Financial Headlines

- Loss before income tax increased by 55% to $7.7m
- Net debt of $27.7m at 30 June 2016
- Conservatively geared at 22.6% at 30 June 2016
- The most significant items contributing to the 2016 loss before income tax were:
  - (i) Unrealised foreign exchange loss of $4.2m being the net of an unrealised loss of $5.0m from translation of the Noble loan of US$20.0m and an unrealised gain of $0.8m from translation of US$ cash balances in hand at 30 June 2016;
  - (ii) Termination benefits of $2.3m paid to executive directors and employees; these payments were approved by the previous directors on 25 November 2015; and
  - (iii) A credit of $1.9m has been recorded following the cancellation of performance share rights previously awarded to executives and employees whose employment was terminated on 25 November 2015.
- Cash expenditure of $5.2m on operating activities incorporating the $2.3m termination benefits referred to above
- Cash expenditure of $9.4m on mine infrastructure
- Agreed deferral of Noble loan repayments from June 2016 to February 2017 to conserve existing cash balances
- Adjustments through retained earnings for the previously recorded loan receivable to the Group's BEE partner and foreign exchange translation impact of historical acquisition adjustments (refer Note 3 'Critical accounting estimates and judgements')
- Shareholders' equity has seen a reduction of $29.1m in the period due to a combination of the reported loss and the exchange differences on translation of South African operations amounting to $19.6m

The financial position of the Group is sound, with 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 annual financial report.

Review of Operations
Construction of some of the mine's infrastructure continued during the period while project debt funding was being negotiated. Major construction activities can commence after project funding is finalised. The items that occurred during the period were:

- EHL Energy (Pty) Limited completed the erection of power poles and transmission lines for the 132kV power supply. The substation and switch room were also completed during the period. The power supply infrastructure is funded by a deferred payment facility;
- At the network stabilisation facility ("NSF"), the 26 tonne axle load switch and signalling system was installed and commissioned. In addition 400 metres of rail was installed to allow for construction access for the rest of the railway line system to the mine; and
- The Marapong effluent treatment facility in Lephalale and the 58 kilometre pipeline to Boikarabelo Coal Mine are an integral part of the mine's social and labour plan. Earthworks were previously completed for a 13 kilometre section of the pipeline adjacent to a main road. Installation of 13 kilometres of water pipeline was completed during the period.

The work of the Technical Committee, established by the Board in December 2015 to review all aspects of the project, has now been substantially completed. The Technical Committee has overseen the development of a new execution strategy that will reduce the capital cost of the project and reduce risk through the appointment of established EPC contractors with good track records and substantial balance sheets. A new mining plan has also been developed which will maximize recovery of the coal deposit by mining all seams and minimize out-of-pit dumping of waste, resulting in increased productivity and reduced operating costs. All efforts at the mine are now being directed towards having the project ready for mobilization of the first of the EPC contractors in Q4 2016.

A Heads of Agreement was concluded with Sedgman Limited (ASX/JSE Announcement: 6 May 2016) for the procurement and construction of the coal handling plant for a lump sum fixed price of US$141m. This represents a substantial saving over the previously announced estimate of US$200m.

A Request for Information was issued to seven established mining contract companies in March 2016. All responded and a Request for Proposal was delivered to a short list of three candidates at the beginning of June 2016 with the appointment of the mining contractor expected during Q3 2016.

A concept feasibility study for a 300MW coal fired power station ("IPP") has been received and reviewed. There is a very compelling economic case for a mouth-of-mine IPP with sale of the electricity produced to the national utility or a private offtaker. The study does however indicate that 300MW IPP is not optimal and that 450MW or 600MW presents a more compelling economic case. This option is now being investigated.

Negotiations with Transnet Freight Rail concerning the rail tariff, access to Richards Bay Coal Terminal and construction of the rail link are proceeding in a very positive manner.

Dividends
No dividends were paid or proposed to be paid to members during the financial year (2015: nil).

Results of operations
The loss for the year for the Group was $7.7 million (2015: $4.9million loss).

Matters subsequent to the end of financial year
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 the funding package, the focus of the next two years will be the construction of the Boikarabelo Coal Mine with production targeted for the 2019 financial year.

Environmental regulation
The Group's directors and management are committed to continual improvement in the environmental management of the Group's operations and to develop effective community and stakeholder relationships.

The Group is aware of the environmental regulations applying to its operations and seeks to comply with them in all relevant jurisdictions. There have been no environmental incidents throughout the year.

4. Remuneration report

The Board is committed to clear and transparent disclosure of the Group's remuneration arrangements.

The remuneration report is set out under the following main headings:
(i) Principles used to determine the nature and amount of remuneration;
(ii) Details of remuneration;
(iii) Service agreements; and
(iv) Share-based compensation.

i) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategy objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that the executive reward satisfies the following key criteria for good governance practices:

a) Competitiveness and reasonableness;
b) Acceptability to shareholders;
c) Performance linkage / alignment of executive compensation;
d) Transparency; and
e) Capital management.

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

The Remuneration Committee monitors the effectiveness of the remuneration framework in order to balance appropriate reward and incentive with shareholder interests.

Alignment with shareholders' interests:

a) focuses on sustained growth in shareholder wealth; and
b) attracts and retains high calibre executives.

Alignment with performance:
Incentives focus on achieving key Group milestones, including obtaining relevant licences, funding and development of the Boikarabelo Coal Mine.

Alignment with program participants' interests:

a) rewards capability and experience; and
b) provides a clear structure for earning rewards.

The Remuneration Committee makes recommendations to the Board on remuneration and incentive policies and practices and other terms of employment for executive and non-executive directors and other senior executives.

The Company does not use a remuneration consultant.

Executive directors and key management personnel
Fees and payments to executive directors reflect the demands which are made on, and the responsibilities of, the directors. Executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Board also ensures that executive directors' fees and payments are appropriate and in line with the market. Executive directors do receive security-based payments as part of their compensation package, as disclosed below. At 30 June 2016 there were no executive directors in office.

Short-term incentives
Short-term incentives (STI) 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.

The Remuneration Committee recommends to the Board appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STIs. Further details are noted under iii) below.

There were no STIs paid during the current financial year as there were no targets set for the current financial year given the recent appointment of the Group's new executive.

Long-term incentive plan

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 Company will seek shareholder approval at an Annual General Meeting prior to any performance share rights being issued to the CEO. The LTIP to 26 November 2015 was focused on achieving key Group milestones including funding and development and initial coal production of the Boikarabelo Coal Mine as per section (iv) in the Remuneration Report. Performance share rights are granted under the LTIP for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities.

Each year the Board, on the recommendation of the Remuneration Committee, considers whether senior executives should be awarded performance share rights under the LTIP and considers the appropriate targets and key performance indicators to determine what hurdles are appropriate for vesting to occur. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.

Directors' fees

The amount of remuneration of the directors of Resource Generation Limited is set out in the table below.

	Chairman	Deputy Chairman	South African Member	Australian Member
	$	$	$	$
Board	125,000	42,600	42,600	75,000
Audit Committee*	-	-	-	-
Risk Management Committee*	-	-	-	-
Remuneration Committee*	-	-	-	-
Nomination Committee*	-	-	-	-

**No additional fees are payable for serving on a committee*

Retirement allowances and benefits for directors

There are no retirement allowances or other benefits paid to directors.

ii) Details of remuneration

Details of the nature and amount of each element of the emoluments of directors and key management personnel of Resource Generation Limited and the Group are set out in the following tables.

The non-executive directors do not receive performance share rights.

The key management personnel of the Group during the year ended 30 June 2016 were as follows:

D Gately	Chairman	Appointed 26 November 2015
L Xate	Deputy Chairman	Appointed 26 November 2015
R Croll	Non-Executive Director	Appointed 26 November 2015
C Gilligan	Non-Executive Director	Appointed 26 November 2015
L Molotsane	Non-Executive Director	Appointed 26 November 2015
Dr K Sebati	Non-Executive Director	Appointed 26 November 2015
R Lowe	Chief Executive Officer	Appointed 26 November 2015
H van den Aardweg	General Manager	In employment for the full year
B O'Regan	Chief Financial Officer	In employment for the full year
M Meintjes	Company Secretary	Appointed 26 November 2015
B Warner	Chairman	Removed 26 November 2015
P Jury	Managing Director	Removed 26 November 2015
S Matthews	Executive Director	Removed 26 November 2015
G Rose AO	Non-Executive Director	Removed 26 November 2015
M Collopy	Chief Financial Officer	Terminated 25 November 2015

Subsequent to 30 June 2016, Mr Zirk van der Bank was appointed as Chief Operating Officer.

a) Remuneration

Non-Executive Directors	FY	Board & Committee Fees (Short-term Benefits)	Non-Monetary Benefits (Short-term Benefits)	Other fees [1] (Short-term Benefits)	Super-annuation Benefits (Post-Employment Benefits)	Termination Benefits (Post-Employment Benefits)	Total Remuneration for services as a Non-Executive Director
		$	$	$	$	$	$
D Gately	2016	67,950	-	25,023	8,832	-	**101,805**
	2015	-	-	-	-	-	**-**
L Xate	2016	25,357	-	10,132	-	-	**35,489**
	2015	-	-	-	-	-	**-**
R Croll	2016	25,357	-	-	-	-	**25,357**
	2015	-	-	-	-	-	**-**
C Gilligan	2016	40,770	-	284,300	3,873	-	**328,943**
	2015	-	-	-	-	-	**-**
L Molotsane	2016	25,357	-	17,997	-	-	**43,354**
	2015	-	-	-	-	-	**-**
Dr K Sebati	2016	25,357	-	-	-	-	**25,357**
	2015	-	-	-	-	-	**-**
G Rose [2]	2016	27,674	-	-	2,629	-	**30,303**
	2015	63,863	-	-	6,067	-	**69,930**
B Warner [2]	2016	38,447	-	-	14,583	-	**53,030**
	2015	87,378			35,000	-	**122,378**
Total	**2016**	**276,269**	**-**	**337,452**	**29,917**	**-**	**643,638**
	2015	**151,241**	**-**	**-**	**41,067**	**-**	**192,308**

1. Certain non-executive directors received additional remuneration for work undertaken on behalf of the Group outside of the scope of non-executive director responsibilities. The terms of this consultancy work are market-related and at arms length and are based on a fixed hourly and/or daily rate.

2. Removed from office 26 November 2015

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

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

	FY	Salary	Other	Super-annuation Benefits	Long Service Leave	Termination Benefits [3]	Performance Shares [4]	Total Remuneration
		$	$	$	$	$	$	$
Executive Directors								
P Jury [1]	2016	259,587	-	14,583	47,982	1,079,146	-	**1,401,298**
	2015	597,700	-	35,000	85,191	-	534,834	**1,252,725**
S Matthews [1]	2016	192,247	-	14,583	36,197	658,016	-	**901,043**
	2015	442,300	-	35,000	64,267	-	267,417	**808,984**
Other Executives								
R Lowe [2]	2016	476,190	-	-	-	-	-	**476,190**
	2015	-	-	-	-	-	-	**-**
H van den Aardweg	2016	369,981	-	-	-	-	-	**369,981**
	2015	365,178	16,893	-	-	-	131,915	**513,986**
B O'Regan	2016	227,760	17,435	-	-	-	-	**245,195**
	2015	234,004	17,796	-	-	-	106,967	**358,767**
M Meintjes [2]	2016	43,230	-	-	-	-	-	**43,230**
	2015	-	-	-	-	-	-	**-**
A McLeod [5]	2016	-	-	-	-	-	-	**-**
	2015	345,000	10,500	-	-	-	(330,590)	**24,910**
M Collopy [1]	2016	43,290		-	6,745	47,134	-	**97,169**
	2015	99,900	-	-	9,499	-	5,348	**114,747**
Total	**2016**	**1,612,285**	**17,435**	**29,166**	**90,924**	**1,784,296**	**-**	**3,534,106**
	2015	**2,084,082**	**45,189**	**70,000**	**158,957**	**-**	**715,891**	**3,074,119**

1. Removed from office or terminated on 26 November 2015

2. Appointed 26 November 2015

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

4. The table above does not include an amount of $1.9m relating to the forfeited performance share rights of the previous directors/executives which have been reversed out of the share-based payment reserve and credited to the income statement in 2016.

5. Resigned 1 January 2015

The table below shows the 2016 annual remuneration packages of all executive directors and key management personnel. With there having been several changes during the year at executive director and key management level, this information is provided so that shareholders have a better understanding of executive remuneration over a full year.

	Fixed	STI	LTI	Termination Benefits [1]	Other	Total
	$	$	$	$	$	$
Executive Directors						
P Jury	658,008	-	-	1,230,700	-	1,888,708
S Matthews	496,392	-	-	772,346	-	1,268,738
Other Executives						
R Lowe	800,000	400,000	-	-	-	1,200,000
H van den Aardweg	363,059	-	-	-	-	363,059
B O'Regan	223,499	-	-	-	17,435	240,934
M Meintjes [2]	-	-	-	-	-	-
M Collopy [3]	103,896	-	-	66,280	-	170,176

1. Termination benefits includes amounts paid for accrued annual leave, sick leave and long service leave

2. Remuneration is based on an agreed houly rate that is market-related and at arms length

3. Not employed full-time

	2015	2016	% change	Comments
R Lowe				
Cost to Company Remuneration	-	476,190	n/a	Commenced employment 26 November 2015
STI	-	-	n/a	Commenced employment 26 November 2015
LTI	-	-	n/a	Commenced employment 26 November 2015
Total Remuneration	-	476,190	n/a	
H van den Aardweg				
Cost to Company Remuneration	365,178	369,981	1%	Salary previously denominated in ZAR
STI	-	-	0%	No STIs awarded
LTI	131,915	-	-100%	No LTIs awarded
Total Remuneration	497,093	369,981	-26%	
B O'Regan				
Cost to Company Remuneration	251,800	245,195	-3%	Salary previously denominated in ZAR
STI	-	-	0%	No STIs awarded
LTI	106,967	-	-100%	No LTIs awarded
Total Remuneration	358,767	245,195	-32%	
M Meintjes				
Cost to Company Remuneration	-	43,230	n/a	Commenced employment 26 November 2015
STI	-	-	n/a	No STIs awarded
LTI	-	-	n/a	No LTIs awarded
Total Remuneration	-	43,230	n/a	

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
Executive directors						
P Jury	100%	57%	0%	0%	0%	43%
S Matthews	100%	67%	0%	0%	0%	33%
Other Executives						
R Lowe	67%	0%	33%	0%	0%	0%
H van den Aardweg	100%	74%	0%	0%	0%	26%
B O'Regan	100%	70%	0%	0%	0%	30%
M Meintjes	100%	0%	0%	0%	0%	0%
A McLeod	0%	100%	0%	0%	0%	0%
M Collopy	100%	95%	0%	0%	0%	5%

b) Performance share rights

The number of performance share rights over ordinary shares in the Company held during the financial year by each director and key management personnel of Resource Generation Limited, including their personally related parties, are set out below:

	Balance at the start of the year	Granted during the year	Lapsed or forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Executive Directors						
P Jury *	10,000,000	-	(10,000,000)	-	-	-
S Matthews *	5,000,000	-	(5,000,000)	-	-	-
Other key management						
H van den Aardweg	2,500,000	-	-	2,500,000	-	2,500,000
M Collopy *	100,000	-	(100,000)	-	-	-
B O'Regan	2,000,000	-	-	2,000,000	-	2,000,000
Totals	**19,600,000**	**-**	**(15,100,000)**	**4,500,000**	**-**	**4,500,000**

** The share rights were granted in 2014 and forfeited on termination (25 November 2015).*

c) Shareholdings

The number of shares in the Company held during the financial year by each director and key management personnel of Resource Generation Limited, including their personally related parties, are set out below:

	Balance at the start of the year	Received during the year on the conversion of performance share rights	Other changes during the year	Balance at the end of the year
	Shares	Shares	Shares	Shares
Directors				
D Gately	-	-	400,000	400,000
P Jury *	24,360,591	-	(24,360,591)	-
S Matthews *	4,175,603	-	(4,175,603)	-
B Warner *	200,000	-	(200,000)	-
G Rose *	136,000	-	(136,000)	-
Other key management				
R Lowe	-	-	2,000,000	2,000,000
H van den Aardweg	1,080,000	-	(30,000)	1,050,000
M Collopy *	203,700	-	(203,700)	-
B O'Regan	276,000	-	-	276,000
Totals	**30,431,894**	**-**	**(26,705,894)**	**3,726,000**

** Ceased to be a director/employee on 26 November 2015*

iii) Service agreements

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

R Lowe, Chief Executive Officer

- Contract effective 26 November 2015, minimum term of 2 years;
- Fixed employment term through to 1 January 2018 after which one month's notice is required;
- Base salary and superannuation to be reviewed annually;
- Provision of four weeks' annual leave;
- Provision made for the awarding of bonuses (STI) at the recommendation of the Remuneration Committee based on key performance indicators and appropriate weightings including inter alia completion of the Company's debt funding arrangements (50%), commencement of construction before the end of September 2016 (10%), recruitment of Chief Operating Officer and other key project executives (10%), completion of geological data base and mining plan (10%), performance of the Company's share price (5%) and other (15%); and
- Provision made for the award of performance share rights, subject to board approval.

H van den Aardweg, General Manager

- Contract effective 1 November 2008, no fixed term;
- One month's notice by employee;
- Termination payments equivalent to three months' salary package;
- Base salary and superannuation to be reviewed annually;
- Provision of four weeks' annual leave;
- Provision made for the awarding of bonuses at the recommendation of the Remuneration Committee; and
- Provision made for the award of performance share rights.

B O'Regan, Chief Financial Officer

- Contract effective 21 March 2011, no fixed term;
- One month's notice by employee;

- Termination payments equivalent to three months' salary package;
- Base salary, superannuation, accommodation and travel allowance to be reviewed annually;
- Provision of four weeks' annual leave;
- Provision made for the awarding of bonuses at the recommendation of the Remuneration Committee; and
- Provision made for the award of performance share rights.

M Meintjes, Company Secretary
- Contract effective 26 November 2015, no fixed term;
- Six weeks' notice by employee;
- No provision for termination payments;
- Hourly rate to be reviewed annually;
- No provision of annual leave;
- No provision made for the awarding of bonuses; and
- No provision made for the award of performance share rights.

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 consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2016.

	30 June 2016 $'000	30 June 2015 $'000	30 June 2014 *Restated $'000	30 June 2013 *Restated $'000	30 June 2012 *Restated $'000
Revenue	279	677	4,110	638	1,061
Net loss before tax	(7,656)	(4,944)	(1,720)	(4,013)	(460)
Net loss after tax	(7,657)	(4,949)	(1,727)	(4,035)	(465)

	30 June 2016 cents	30 June 2015 cents	30 June 2014 *Restated cents	30 June 2013 *Restated cents	30 June 2012 *Restated cents
Share price at start of year	7	13	20	30	75
Share price at end of year	8	7	13	20	30
Basic earnings per share	(1.3)	(0.9)	(0.4)	(1.5)	(0.2)
Diluted earnings per share	(1.3)	(0.9)	(0.4)	(1.5)	(0.2)

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

There were no dividends paid or proposed during the five years to 30 June 2016.

iv) Share-based compensation
Performance share rights

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. For the performance share rights current as at 30 June 2016 (as approved by the previous board), the performance hurdles include the following:-

a) Funding to enable all material construction, expected during the 2017 financial year.
b) Production of the first 100,000 tonnes of ROM coal, expected during the 2019 financial year.

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 key management, at the date of this report are as follows:

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

There is no pre-determined vesting or exercisable date for performance share rights. They are converted to shares on the date of vesting, which is at the discretion of the holder once performance hurdles are met. During the year, no performance share rights vested and 15.1m were forfeited as indicated in section (ii) (b) above.

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, and the amount is included in the remuneration tables above. The value attached to the performance share right is the share price on the day of issue.

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

5. Additional information

a) Shares under option
At 30 June 2016 there were 6.25m unissued ordinary shares under performance share rights. No performance share rights were converted during the period. Refer to Note 19 of the financial statements for further details.

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

c) Agreement to indemnify officers
During the financial year, the Company 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:

i) as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law.
ii) 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.

d) 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.*

e) Rounding of amounts
The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, unless otherwise indicated.

f) 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 13 of the annual financial report.

g) 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
Deputy Chairman
Johannesburg
30 August 2016

Deloitte.

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

30 August 2016

Dear Board Members

Resource Generation Limited

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

As lead audit partner for the audit of the financial report of Resource Generation Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Notes	Consolidated 2016 $'000	2015 *Restated $'000
Interest revenue	5	210	677
Other	5	69	-
		279	677
Administration, rent and corporate		(1,638)	(1,155)
Depreciation of property, plant and equipment	10	(334)	(404)
Employee benefits expense		(3,682)	(1,606)
Finance expenses		(22)	(2,729)
Share-based compensation credit/(expense)	20	1,906	(797)
Unrealised foreign exchange movements		(4,165)	1,070
Loss before income tax		(7,656)	(4,944)
Income tax expense	6	(1)	(5)
Loss from continuing operations		(7,657)	(4,949)
Loss for the year		**(7,657)**	(4,949)
Other comprehensive (loss)/income, net of income tax			
Items that may be subsequently reclassified to profit and loss when specific conditions are met:			
Exchange differences on translation of foreign operations	20	(19,550)	8,397
Total comprehensive (loss)/income		(27,207)	3,448
Loss is attributable to:			
Owners of Resource Generation Limited		**(7,657)**	**(4,949)**
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Resource Generation Limited		(27,207)	3,448
Headline loss		(7,657)	(4,949)
Loss per share			
Loss per share for loss from continuing operations		**Cents**	Cents
Basic loss per share	29	**(1.3)**	(0.9)
Diluted loss per share	29	**(1.3)**	(0.9)
Headline loss per share	29	**(1.3)**	(0.9)

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

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

Resource Generation Limited

Consolidated statement of financial position
As at 30 June 2016

			Consolidated	
			2015	1 July 2014
		2016	*Restated	*Restated
	Notes	**$'000**	$'000	$'000
Current assets				
Cash and cash equivalents	7	11,955	28,551	54,337
Trade and other receivables	8	146	200	414
Deposits and prepayments	9	174	207	140
		12,275	28,958	54,891
Non-current assets				
Property, plant and equipment	10	30,365	35,464	33,367
Mining tenements and mining development	11	128,644	129,314	89,742
Deposits and loan receivables	12	1,859	2,938	2,307
		160,868	167,716	125,416
TOTAL ASSETS		173,143	196,674	180,307
Current liabilities				
Trade and other payables	13	6,967	7,320	8,377
Provisions	14	180	987	788
Borrowings	17	3,887	2,661	-
		11,034	10,968	9,165
Non-current liabilities				
Provisions	15	1,983	204	38
Borrowings	18	35,728	31,221	21,231
Royalties payable	16	1,946	2,716	2,553
		39,657	34,141	23,822
TOTAL LIABILITIES		50,691	45,109	32,987
NET ASSETS		122,452	151,565	147,320
Equity				
Contributed equity	19	223,622	223,622	223,622
Reserves	20	(50,955)	(11,817)	(21,011)
Accumulated losses	20	(50,215)	(60,240)	(55,291)
TOTAL EQUITY		122,452	151,565	147,320

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

The above 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 2016

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2014 (as previously reported)		**223,622**	**(10,090)**	**(37,808)**	**175,724**
Adjustments (see note 3)		-	(10,921)	(17,483)	(28,404)
Balance at 1 July 2014 (*restated)		**223,622**	**(21,011)**	**(55,291)**	**147,320**
Loss for the year		-	-	(4,949)	(4,949)
Other comprehensive income for the year - exchange differences on translation of foreign operations	20	-	8,397	-	8,397
Total comprehensive income/(loss) for the year		-	8,397	(4,949)	3,448
Transactions with owners in their capacity as owners:					
Employee share plan - value of employee services	20	-	797	-	797
		-	797	-	797
Balance at 30 June 2015 (*restated)		**223,622**	**(11,817)**	**(60,240)**	**151,565**
Loss for the year		-	-	(7,657)	(7,657)
Other comprehensive loss for the year - exchange differences on translation of foreign operations	20	-	(19,550)	-	(19,550)
Total comprehensive loss for the year		-	(19,550)	(7,657)	(27,207)
Transactions with owners in their capacity as owners:					
Transfer of option premium reserve to earnings	20	-	(17,682)	17,682	-
Employee share plan - value of employee services	20	-	(1,906)	-	(1,906)
		-	(19,588)	17,682	(1,906)
Balance at 30 June 2016		**223,622**	**(50,955)**	**(50,215)**	**122,452**

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

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 2016

		Consolidated	
		2016	2015
	Notes	**$'000**	$'000
Cash flows from operating activities			
Payments to suppliers and employees		(5,369)	(2,610)
Interest received		210	677
Finance costs		(22)	(8)
Taxation payments		(1)	(4)
Net cash outflow from operating activities	28	(5,182)	(1,945)
Cash flows from investing activities			
Payments for property, plant and equipment		(537)	(376)
Net payments for mining related licence deposits		-	(285)
Payments for mining tenements and mining development		(8,836)	(28,588)
Net cash outflow from investing activities		(9,373)	(29,249)
Cash flows from financing activities			
Repayment of borrowings		(1,935)	-
Net cash outflow from financing activities		(1,935)	-
Net decrease in cash and cash equivalents		(16,490)	(31,194)
Cash and cash equivalents at the beginning of the year		28,551	54,337
Effects of exchange rate movements on cash and cash equivalents		(106)	5,408
Cash and cash equivalents at the end of the year	7	**11,955**	28,551

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

1. Summary of Significant Accounting Policies

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

a) Statement of compliance

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

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

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the year ended 30 June 2015, except for the impact of the Standards and Interpretations described below as set out in Note 3. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 30 August 2016.

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 2016, the Group had net current assets of $1.2 million (2015: $18.0 million), made a loss of $7.7 million (2015: $4.9 million) for the year and recorded a net cash outflow from operations of $5.2million (2015: $1.9 million). The Group has a cash balance at 30 June 2016 of $12.0 million (2015: $28.6 million). The directors have prepared the financial report on a going concern basis.

In concluding that the going concern basis is appropriate, a cash flow forecast was prepared for the 2017 financial year. The forecast assumes the receipt of additional funding following the agreement of commercial terms with a Financing Syndicate to provide R5.52 billion (A$515 million) to complete the construction of the Boikarabelo Coal Mine and meet ongoing working capital requirements. Based on forecast minimum committed costs, the ability of the Company and the Consolidated Group to continue as going concerns is dependent on securing additional funds before the end of the 30 June 2017 financial year.

The directors are confident that financial close for the funding from the Financing Syndicate can be achieved although, given the numerous conditions precedent contained in the commercial terms, precise time lines are impossible to predict with any certainty. Management and the Lead Arranger are both targeting end October 2016 for financial close. Assuming financial close occurs on or around the end of October 2016, construction of the mine would commence immediately thereafter and is scheduled for completion in September 2018 with first saleable coal production in the last quarter of 2018. The funding is subject to a number of conditions precedent, including Financing Syndicate credit committee approval and also delivery of take-or-pay offtake agreements securing revenues no less than those forecast in the Base Case Financial Model. Although the Company is fully focussed on securing the funding to be provided by the Financing Syndicate, as a contingency to cover any unforeseen delays in financial close, it has had advanced discussions with a related party to provide interim funding if required.

Notwithstanding this, should the Group not receive the additional funding referred to above there are material uncertainties as to whether the Company and the Consolidated Group will be able to continue as going concerns and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the annual financial report.

The annual 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 and the Consolidated Group not continue as going concerns.

Basis of preparation

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

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 2016 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. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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. The exchange rate at 30 June 2016 was 10.993 (2015: 9.373).

(iii) Group companies

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

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

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

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

e) Revenue recognition

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

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

f) Income Tax

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

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

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

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

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

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

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

g) Cash and cash equivalents

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

h) Impairment of assets

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

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

The above principles of impairment also apply to mining tenements.

i) Trade and other payables

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

j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount of the outflow can be reliably measured. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

k) Contributed equity

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

l) Earnings per share

(i) Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Group by the weighted average number of shares outstanding during the year.

(ii) Diluted earnings per share adjusts the figures used to determine EPS to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

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

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

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

n) Dividends

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

o) Property, plant and equipment

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

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

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

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

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

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.

r) Leases

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

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

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

s) Investments and other financial assets

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

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

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

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

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

t) Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

u) Comparative figures

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

v) New accounting standards and interpretations

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

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'. This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The Company has reviewed the above Accounting Standards and determined that they have no material impact on the financial report for the year ended 30 June 2016.

w) Standards and Interpretations in issue not yet adopted

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

- AASB 2015-1 Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Disclosure Initiative: Amendments to AASB 101
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 9 Financial Instruments 2014
- AASB 15 Revenue from Contracts with Customers
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 16 Leases

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.

- *Investments in subsidiaries, associates and joint ventures.*

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

y) Exploration and evaluation assets

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

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

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

z) Mining tenements and mining development

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

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

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

2. Financial risk management

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

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

a) Market risk

(i) Interest rate risk
The Group is not exposed to any material interest rate risk as the Noble USD borrowing is fixed at 10.75% per annum. Interest on the EHL borrowing is payable at the ABSA Bank prime lending rate plus 3%. A 10% movement in the interest rate would result in an increase/decrease in development costs of $0.1m (2015: $0.1m).

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

If the South African Rand weakened/strengthened against the Australian Dollar by 10% since 30 June 2016 the impact on the Group's net loss after tax would amount to $0.6m (2015 : $nil). If the South African Rand weakened/strengthened against the US Dollar by 10% since 30 June 2016 the impact on the Group's net loss after tax due to retranslation of the US Dollar borrowings would amount to $3.4m (2015 : $2.9m). 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 $6.8m (2015: $2.2m) 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:

	2016 Rand '000	**2015 Rand '000**
Cash at Bank (South Africa & Mauritius)	12,499	43,960
VAT Receivable	1,139	1,639
Mining related licence deposits	20,437	18,002
Royalty payable	21,395	30,000
Creditors and accruals	75,252	50,976
Borrowings	67,043	41,164

	USD '000	**USD '000**
Cash at Bank	8,000	13,978
Borrowings	24,939	22,789

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

b) Credit risk

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

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

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

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Cash flow forecasting monitors liquidity requirements. The Group has \$7.0m (2015: \$7.3m) in trade and other payables as at 30 June 2016, all of which are due within 6 months.

d) Cash flow and fair value interest rate risk

As the Group has no variable interest-bearing liabilities, its income and operating cash flows are not materially exposed to changes in market interest rates. The Group has \$11.9m (2015: \$28.4m) in interest bearing accounts which is subject to movements in interest rates. At the current level of interest rates, any risk is considered minimal.

e) Fair value estimation

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

3. Critical accounting estimates and judgements

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

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

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's financial report for the year ended 30 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Development expenditure

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

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

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.

Restatement of accounts

The accounts have been restated in respect of the accounting for loans to the Group's BEE partner and also accounting for foreign exchange on acquisition adjustments.

(i) Loan to BEE partner

In 2011, the Group loaned its Black Economic Empowerment (BEE) partner, Fairy Wing Trading 136 (Pty) Limited (Fairy Wing), R80 million ($7.3 million) to facilitate its 26% acquisition of Ledjadja Coal (Pty) Limited (Ledjadja). In 2013, an additional R39 million ($3.5 million) was loaned to Fairy Wing, to fund its 26% acquisition of Waterberg One Coal (Pty) Limited (Waterberg One). The loans are secured over Fairy Wing's shares in Ledjadja and Waterberg One and are repayable out of future dividends. Interest on the loans was deferred from 1 January 2014 until commencement of coal production at the Boikarabelo Coal Mine at which time interest will be payable at the prime rate quoted by Standard Bank of South Africa plus 3%.

Guidance from the South African Institute of Chartered Accountants in respect of accounting for BEE transactions, which is consistent with AASB 2 Share-based Payment, indicates that loans to BEE partners made on non-commercial terms should be treated as share-based payments. In light of this guidance and having regard to the terms of the Fairy Wing loans, including the fact that they are secured over Fairy Wing's shares in the respective subsidiaries and are in substance only repayable out of future dividends from coal production, the directors have concluded that instead of recognising loan receivables at inception, the financial statements should have reflected a charge to profit and loss.

The restatement in relation to this reverses the previously recorded loan carrying values, including accrued interest, against retained earnings. It also includes the related impact on the foreign currency translation reserve.

(ii) Foreign exchange on acquisition adjustments

The Group previously acquired interests in South African subsidiaries that held exploration licences for the Boikarabelo Coal Mine project. The difference between the net assets of the subsidiaries acquired and the purchase consideration was recorded as an exploration asset, subsequently reclassified to mining tenements and mining development assets. Such differences should be treated as assets of the foreign operation and therefore foreign exchange differences arising on translation of these assets for consolidation purposes shall be recorded in the foreign currency translation reserve.

The restatement reflects this accounting. The reduction of the mining tenement and mining development asset balance reflects the weakening of the South African Rand against the Australian dollar.

	30 June 2015		
	As previously stated $'000	Restatement $'000	As restated $'000
Consolidated statement of financial position			
Deposits and loan receivables	18,484	(15,546)	2,938
Mining tenements and mining development	140,539	(11,225)	129,314
Total non-current assets	194,487	(26,771)	167,716
TOTAL ASSETS	**223,445**	**(26,771)**	**196,674**
Equity	223,622	-	223,622
Reserves	(2,529)	(9,288)	(11,817)
Accumulated losses	(42,757)	(17,483)	(60,240)
TOTAL EQUITY	**178,336**	**(26,771)**	**151,565**

	30 June 2014		
	As previously stated $'000	Restatement $'000	As restated $'000
Consolidated statement of financial position			
Deposits and loan receivables	16,923	(14,616)	2,307
Mining tenements and mining development	103,530	(13,788)	89,742
Total non-current assets	153,820	(28,404)	125,416
TOTAL ASSETS	**208,711**	**(28,404)**	**180,307**
Equity	223,622	-	223,622
Reserves	(10,090)	(10,921)	(21,011)
Accumulated losses	(37,808)	(17,483)	(55,291)
TOTAL EQUITY	**175,724**	**(28,404)**	**147,320**

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 costs and includes equity raisings and administration costs.

4.2 Segment revenues and results

	Segment Revenue		Segment (Loss)/Profit	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Mining tenements and mining development	243	454	(629)	(6,791)
Corporate - unallocated	36	223	(7,028)	1,842
Total for continuing operations	**279**	677	**(7,657)**	(4,949)

Segment revenue is primarily interest 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 earned by that segment without allocation of central administration costs and salaries, share of profits of associates, 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

	2016	2015
	$'000	$'000
Segment assets		
Mining tenements and mining development	162,114	172,607
Corporate - unallocated	11,029	24,067
	173,143	196,674
Segment liabilities		
Mining tenements and mining development	50,390	43,896
Corporate - unallocated	301	1,213
	50,691	45,109

4.4 Other segment information

	Depreciation and amortisation		Additions to property, plant and equipment	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Mining tenements and mining development	309	357	504	331
Corporate - unallocated	25	47	33	45
Total	**334**	404	**537**	376

4.5 Other segment information - mining tenements and mining development

	Additions	
	2016	2015
	$'000	$'000
Mining tenements and mining development	20,025	32,393
Corporate - unallocated	-	-
	20,025	32,393

4.6 Geographical information

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Australia	36	223	39	52
South Africa	243	454	160,829	167,664
	279	677	**160,868**	167,716

5 Total revenue

	Consolidated	
	2016	2015
	$'000	$'000
Revenue from continuing operations		
Interest earned	210	677
	210	677
Other		
Other	69	-
	69	-
Total	**279**	677

6 Income tax expense

	Consolidated	
	2016	2015
	$'000	$'000
a) Income tax expense		
Current tax	1	5
Deferred tax	-	-
Under/(over) provided in prior years	-	-
	1	5
Income tax expense is attributable to:		
Profit/(loss) from continuing operations	1	5
Loss from discontinued operations	-	-
Aggregate income tax expense	1	5
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-
	-	-

	Consolidated	
	2016	2015
	$'000	$'000
b) Numerical reconciliation of income tax expense to *prima facie* tax payable		
Loss from continuing operations before income tax expense	(7,656)	(4,944)
Tax charge at the Australian rate of 30%	-	-
Tax benefit at the Australian rate of 30%	(2,297)	(1,483)
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Share-based payments	(572)	239
Income tax benefit not recognised	2,870	1,249
Income tax expense	1	5

c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	16,338	10,928
Potential tax benefit at Australian tax rate of 30%	4,901	3,278

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

7 Current assets - cash and cash equivalents

	Consolidated	
	2016	2015
	$'000	$'000
Cash at bank and in hand	11,955	28,551
	11,955	28,551

8 Current assets - trade and other receivables

	Consolidated	
	2016	2015
	$'000	$'000
Receivables	9	1
Government tax refunds	137	199
	146	200

9 Current assets - deposits and prepayments

	Consolidated	
	2016	2015
	$'000	$'000
Prepayments	9	54
Deposits	165	153
	174	207

10 Non-current assets - property, plant and equipment

	Consolidated				
	Land & Buildings	**Computer Equipment**	**Office Equipment**	**Motor Vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening net book value 01 July 2014	32,396	114	152	705	33,367
Additions	56	165	20	135	376
Disposals	-	-	-	(75)	(75)
Depreciation	(4)	(150)	(36)	(214)	(404)
Effect of foreign exchange differences	2,066	25	(7)	116	2,200
Closing net book value 30 June 2015	34,514	154	129	667	35,464
Additions	-	244	15	278	537
Disposals	-	(19)	-	(48)	(67)
Depreciation	(14)	(105)	(34)	(181)	(334)
Effect of foreign exchange differences	(5,086)	(12)	(18)	(119)	(5,235)
Closing net book value 30 June 2016	29,414	262	92	597	30,365
Assets at cost	29,444	499	181	1,040	31,164
Accumulated depreciation	(30)	(237)	(89)	(443)	(799)
Closing net book value 30 June 2016	29,414	262	92	597	30,365

11 Non-current assets - mining tenements and mining development

	Consolidated		
	2016	2015 *Restated	2014 *Restated
	$'000	$'000	$'000
Mining tenements and mining development	**128,644**	129,314	89,742
The Boikarabelo Coal Mine			
Mining tenements of 100% of Resgen Africa Holdings Limited			
Opening net book value	89,262	52,517	30,772
Additions/movements	20,025	32,913	25,484
Effect of foreign exchange differences	(13,800)	3,832	(3,739)
Closing net book value	95,487	89,262	52,517
Mining tenements of 100% of Resgen South Africa (Pty) Limited			
Opening net book value	40,052	37,225	41,476
Additions/movements	-	(520)	649
Effect of foreign exchange differences	(6,895)	3,347	(4,900)
Closing net book value	33,157	40,052	37,225
Total Boikarabelo Coal Mine	128,644	129,314	89,742
Carrying value at year end	**128,644**	129,314	89,742

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.

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

12 Non-current assets - deposits and loan receivables

	Consolidated		
	2016	2015 *Restated	2014 *Restated
	$'000	$'000	$'000
Mining related licence deposits	1,859	2,007	1,618
Other	-	931	689
	1,859	2,938	2,307

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

13 Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	$'000	$'000
Trade payables	1,515	2,746
Other payables - accrued expenditure	5,452	4,574
	6,967	7,320

14 Current liabilities - provisions

	Consolidated	
	2016	2015
	$'000	$'000
Employee benefits - annual leave and sick leave	180	987
	180	987

15 Non-current liabilities - provisions

	Consolidated	
	2016	2015
	$'000	$'000
Employee benefits - long service leave	-	204
Rehabilitation provision	1,983	-
	1,983	204

16 Non-current liabilities - royalties payable

	Consolidated	
	2016	2015
	$'000	$'000
Royalties payable	1,946	2,716
	1,946	2,716

Royalties are payable upon the commencement of coal production and were recognised on acquisition. 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 9% (2015: 4%).

17 Current liabilities - borrowings

	Consolidated	
	2016 $'000	2015 $'000
EHL loan	1,877	1,802
Noble loan	2,010	859
	3,887	2,661

EHL loan

EHL Energy (Pty) Limited is building the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction is subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan is unsecured and repayable in 16 quarterly instalments from November 2015. There were 13 quarterly instalments remaining to be paid as at 30 June 2016.

Noble loan

US$20 million was drawn down as an unsecured loan from Noble Resources International Pte Ltd in March 2014. It is repayable in quarterly instalments of capital and interest over 8 years and has an annual interest rate of 10.75%. The first repayment instalment of the loan is due in February 2017.

18 Non-current liabilities - borrowings

	Consolidated	
	2016 $'000	2015 $'000
EHL loan	4,222	2,590
Noble loan	31,506	28,631
	35,728	31,221

19 Contributed equity

	Consolidated	
a) Share capital	**2016 Shares '000**	2015 Shares '000
Ordinary shares issued	**581,380**	581,380

	Consolidated	
	2016 $'000	2015 $'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 and arrangements will be made to deal with the shares in the interests of all shareholders once project funding for mine development is secured.

Date	Details	Number of shares '000	Amount $'000
30/06/2015	Opening balance	4,205	2,317
	Movement in treasury shares	-	-
30/06/2016	**Balance**	**4,205**	**2,317**

d) 2016

There were no equity 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) Share-based payment reserve

	Number of options/rights 2016 '000	**Value of options/rights 2016 $'000**	Number of options/rights 2015 '000	Value of options/rights 2015 $'000
Options				
Options granted previously and expired	-	17,682	-	17,682
Transfer of option premium reserve to earnings	-	(17,682)	-	-
Closing balance	-	-	-	17,682
Performance share rights				
Opening balance	21,700	2,612	24,700	1,815
Employee share plan expense - apportionment of share rights over entitlement period	-	(33)	500	1,547
Performance rights forfeited*	(15,450)	(1,873)	(3,500)	(750)
Closing balance	6,250	706	21,700	2,612
Total options and performance share rights	**6,250**	**706**	21,700	20,294

* 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.

f) Movement in options

There are no options on issue as at 30 June 2016. All previously issued options expired by 30 June 2014.

g) Movement in performance share rights

Date	Details	Number of rights '000	Issue price $	Amount $'000
30/06/2014	Balance	24,700	-	1,815
01/01/2015	Performance rights forfeited	(3,500)	-	(750)
30/06/2015	Performance rights issue	500	-	-
30/06/2015	Share-based compensation	-	-	1,547
25/11/2015	Performance rights forfeited	(15,450)	-	(1,873)
30/06/2016	Share-based compensation	-	-	(33)
30/06/2016	**Balance**	**6,250**	-	**706**

As at 30 June 2016 there are 7 holders of the total performance share rights of 6.25 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. For the performance rights current as at 30 June 2016 (as approved by the previous board), the performance hurdles include the following:

i) Funding to enable all material construction, expected during the 2017 financial year.
ii) Production of the first 100,000 tonnes of ROM coal, expected during the 2019 financial year.

20 Reserves and accumulated losses

	Consolidated		
	2016	2015 *Restated	2014 *Restated
	$'000	$'000	$'000
a) Reserves			
Other contributed equity	1,085	1,085	1,085
Treasury shares - refer Note 19 c)	(2,317)	(2,317)	(2,317)
Share-based payment reserve	706	20,294	19,497
Foreign currency translation reserve	(50,429)	(30,879)	(39,276)
	(50,955)	(11,817)	(21,011)

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

Movement in reserves

	2016	2015	2014
Share-based payment reserve			
Opening balance	20,294	19,497	17,862
Transfer to accumulated losses[1]	(17,682)	-	-
Employee share plan (credit)/expense	(1,906)	797	1,635
Balance at the end of the year	**706**	**20,294**	19,497
Foreign currency translation reserve			
Opening balance	(30,879)	(39,276)	(26,478)
Movement for the period[2]	(19,550)	8,397	(12,798)
Balance at the end of the year	**(50,429)**	**(30,879)**	(39,276)

1. The transfer from share-based payment reserve represents the reserve amount that was created in respect of share options issued in prior years. With no options currently in issue, the reserve has been transferred to accumulated losses.
2. Foreign currency translation reserve movements arise from a 17% depreciation of the Rand against the Australian Dollar during the year ended 30 June 2016 (2015: 6% appreciation).

	Consolidated	
	2016	2015
	$'000	$'000
b) Accumulated losses		
Opening balance	(60,240)	(55,291)
Transfer from share-based payment reserve[1]	17,682	-
Loss for the year	(7,657)	(4,949)
Balance at the end of the year	**(50,215)**	(60,240)

1. Refer note 20 a) above.

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	
	2016	2015
	$	$
a) Audit and review of financial reports	**118,125**	105,604
b) Other services		
Taxation and JSE sponsor services (South Africa)	21,276	41,842
Corporate consulting (South Africa)	8,551	29,208
	29,827	71,050

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

22 Related party transactions

a) Key management personnel

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

	Consolidated	
	2016	2015
	$	$
Short-term employee benefits	2,243,441	2,280,512
Long-term benefits (superannuation)	59,083	111,067
Long-term benefits (long service leave)	90,924	158,957
Termination benefits	1,784,296	-
	4,177,744	2,550,536
Share-based payments	(1,856,136)	715,891
Total remuneration for key management personnel	**2,321,608**	3,266,427

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$20 million plus accrued interest of US$4.9m from Noble International Resources Pte Limited (Noble). Noble has a 13.69% shareholding in the Company as at 30 June 2016 (2015: 13.69%).

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 2016 %	Equity holding 2015 %
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

a) Lease commitments for premises	Consolidated 2016 $'000	Consolidated 2015 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	272	282
Later than one year, but not later than 5 years	168	460
	440	742
Representing:		
Non-cancellable operating leases on premises	440	742
	440	742

b) EHL Loan	Consolidated 2016 $'000	Consolidated 2015 $'000
Interest repayments under the EHL loan facility as disclosed in notes 17 and 18:		
Within one year	727	549
Later than one year, but not later than 5 years	716	6,053
	1,443	6,602

c) Noble Loan	Consolidated 2016 $'000	Consolidated 2015 $'000
Interest repayments under the Noble loan facility as disclosed in notes 17 and 18:		
Within one year	-	9
Later than one year, but not later than 5 years	3,959	9,671
Later than 5 years	3,204	-
	7,163	9,680

d) Capital commitments

The Group has $5.4 million (2015: $4.8 million) in commitments in respect of the development of the Boikarabelo Coal Mine.

26 Events occurring after the reporting period

On 8 August 2016, the Company announced that it had agreed the commercial terms on which a Financing Syndicate will seek their requisite approvals in order to secure funding of R5.52 billion (A$515 million) to complete the construction of the Boikarabelo Coal Mine.

27 Contingent liabilities

Land acquisition

There is a potential property acquisition of $9.0 million (2015: $11.7 million) contingent to events subsequent to the commencement of mine production.

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

	Consolidated	
	2016 $'000	2015 $'000
Loss for the year	(7,657)	(4,949)
Depreciation	334	404
Share-based compensation (credit)/expense	(1,906)	797
Interest expense on loans	-	2,729
Unrealised foreign exchange loss/(gain)	4,165	(1,070)
Changes in operating assets and liabilities:		
Increase/ (decrease) in trade and other payables	(353)	(221)
Increase/ (decrease) in provisions	-	365
(Increase)/ decrease in trade and other receivables	235	-
Net cash outflow from operating activities	**(5,182)**	(1,945)

29 Earnings per share

	Consolidated	
	2016 Cents	2015 Cents
a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.3)	(0.9)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(1.3)	(0.9)
b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.3)	(0.9)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(1.3)	(0.9)
c) Headline earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1.3)	(0.9)
Total headline earnings per share attributable to the ordinary equity holders of the Company	(1.3)	(0.9)

d) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2016 $'000	2015 $'000
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(7,657)	(4,949)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(7,657)	(4,949)
Headline loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(7,657)	(4,949)

e) Weighted average number of shares used as the denominator

	Consolidated	
	2016	2015
	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	577,174,838	577,174,838
Weighted average number of ordinary shares used as the denominator in calculating headline earnings per share	577,174,838	577,174,838

f) Information concerning the classification of securities

Performance share rights

Performance share rights are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance share rights have not been included in the determination of basic earnings per share.

30 Parent entity financial information

a) Summary financial information

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

	Parent	
	2016 $'000	2015 $'000
Balance sheet		
Current assets		
Cash and cash equivalents	10,818	23,860
Trade and other receivables	45	24
Deposits and prepayments	127	131
	10,990	24,015
Non-current assets		
Property, plant and equipment	39	52
Investments	74,069	74,069
Related party loans	100,385	108,142
	174,493	182,263
Total assets	185,483	206,278
Current liabilities		
Trade and other payables	302	170
Provisions	-	1,044
	302	1,214
Total liabilities	302	1,214
Net assets	**185,181**	205,064
Shareholders' equity		
Contributed equity	223,622	223,622
Reserves		
Share-based payment reserve	706	20,294
Other contributed equity	1,085	1,085
Accumulated losses	(40,232)	(39,937)
Total equity	**185,181**	205,064
Loss for the year	**(17,979)**	(25,249)
Total comprehensive loss	**(17,979)**	(25,249)

b) Guarantees entered into by the parent entity

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

Letters of support have been provided to all subsidiaries to confirm that the parent entity will continue to provide financial support to enable them to continue in operation for 12 months from 30 August 2016. In addition, the parent entity has subordinated certain loan receivables owing by the subsidiary companies.

c) Contingent liabilities of the parent entity

The parent entity's contingent liabilities are included in those disclosed at Note 27.

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

As at 30 June 2016, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 1 to 40 are in accordance with the *Corporations Act 2001* , including:

  (i) complying with accounting standards and the *Corporations Regulations 2001* ; and
  (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 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
Deputy Chairman
Johannesburg
30 August 2016

Deloitte.

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

We have audited the accompanying financial report of Resource Generation Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 41.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Resource Generation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Resource Generation Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity incurred a loss of $7.7 million (2015: $4.9 million) and used net cash in operating activities of $5.2 million (2015: $1.9 million) during the year ended 30 June 2016. These conditions, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and therefore, the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 12 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of Resource Generation Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 30 August 2016

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:

	2016	2015
Cumulative average rate of exchange (A$/Rand)	10.5610	9.4870
Closing rate of exchange (A$/Rand)	10.9930	9.3730

Statements of comprehensive income - ZAR convenience translation (Supplementary Information)
For the year ended 30 June 2016

	Consolidated	
	2016	2015 *Restated
	R'000	R'000
Interest revenue	2,218	6,423
Other	729	-
	2,947	6,423
Administration, rent and corporate	(17,299)	(10,957)
Depreciation of property, plant and equipment	(3,527)	(3,833)
Employee benefits expense	(38,886)	(15,236)
Finance expenses	(232)	(25,890)
Share-based compensation credit/(expense)	20,129	(7,561)
Unrealised foreign exchange movements	(43,987)	10,150
Loss before income tax	(80,855)	(46,905)
Income tax expense	(11)	(47)
Loss from continuing operations	(80,866)	(46,952)
Loss for the year	**(80,866)**	(46,952)
Other comprehensive (loss)/income	(206,468)	79,662
Total comprehensive (loss)/income	(287,334)	32,710
Loss is attributable to:		
Owners of Resource Generation Limited	**(80,866)**	(46,952)
Total comprehensive (loss)/income for the year is attributable to:		
Owners of Resource Generation Limited	(287,334)	32,710
Loss per share for loss from continuing operations	**Cents**	Cents
Basic loss per share	**(13.7)**	(8.1)
Diluted loss per share	**(13.7)**	(8.1)

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

Balance Sheets - ZAR convenience translation (Supplementary Information)
As at 30 June 2016

	Consolidated	
	2016 R'000	2015 *Restated R'000
Current assets		
Cash and cash equivalents	131,421	267,609
Trade and other receivables	1,605	1,874
Deposits and prepayments	1,913	1,940
	134,939	271,423
Non-current assets		
Property, plant and equipment	333,802	332,404
Mining tenements and mining development	1,414,184	1,212,060
Deposits and loan receivables	20,436	27,538
	1,768,422	1,572,002
TOTAL ASSETS	**1,903,361**	1,843,425
Current liabilities		
Trade and other payables	76,588	68,610
Provisions	1,979	9,251
Borrowings	42,730	24,942
	121,297	102,803
Non-current liabilities		
Provisions	21,799	1,912
Borrowings	392,758	292,634
Royalties payable	21,392	25,457
	435,949	320,003
TOTAL LIABILITIES	**557,246**	422,806
NET ASSETS	**1,346,115**	1,420,619
Equity		
Contributed equity	2,229,377	2,229,377
Reserves	(331,249)	(244,129)
Accumulated losses	(552,013)	(564,630)
TOTAL EQUITY	**1,346,115**	1,420,619

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

Cash Flow Statements - ZAR convenience translation (Supplementary Information)
For the year ended 30 June 2016

	Consolidated	
	2016	2015
	R'000	R'000
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of government charges)	(56,702)	(24,763)
Interest received	2,218	6,423
Finance costs	(232)	(76)
Taxation payments	(11)	(38)
Net cash outflow from operating activities	(54,727)	(18,453)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,671)	(3,567)
Net payments for mining related licence deposits	-	(2,704)
Payments for mining tenements and mining development	(93,317)	(271,214)
Net cash outflow from investing activities	(98,988)	(277,484)
Cash flows from financing activities		
Repayment of borrowings	(20,436)	-
Net cash outflow from financing activities	(20,436)	-
Net decrease in cash and cash equivalents	(174,151)	(295,936)
Cash and cash equivalents at the beginning of the year	267,609	541,707
Effects of exchange rate movements on cash and cash equivalents	37,964	21,838
Cash and cash equivalents at the end of the year	**131,421**	267,609

Foreign currency reserve movements represent an appreciation of the A$ against the Rand of 17.3% (2015: 6.0% depreciation).

Resources and reserves

1. Coal Mining Tenements

	Type	Right Number	Holder	Interest	Area (km^2)
a)	**Mining Rights**				
	Witkopje (Ledjadja #1)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	17
	Draai Om (Ledjadja #2)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	11
	Kalkpan (Ledjadja #3)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	13
	Osorno (Ledjadja #4)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	11
	Zeekoevley (Ledjadja #5)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	13
	Vischpan (Ledjadja #6)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	12
	Kruishout (Ledjadja #7)	MPT15/2012 MR	Ledjadja Coal (Pty) Limited	74%	12
b)	**Prospecting Rights**				
	Koert Louw Zyn Pan (Waterberg #1)	PR678/2007	Waterberg One Coal (Pty) Limited	74%	14
	Lisbon (Waterberg #2)	PR720/2007	Waterberg One Coal (Pty) Limited	74%	8
	Zoetfontein (Waterberg #3)	PR720/2007	Waterberg One Coal (Pty) Limited	74%	10

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

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

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo Coal Mine and contain minimal resources that have not been included in the stated JORC resource.

2. Coal Resources Statement

	Inferred Resource*	**Indicated Resource***	**Measured Resource***	**2016 Total Resource***	2015 Total Resource*
	(mt)	(mt)	(mt)	(mt)	(mt)
Waterberg #1 SW	-	-	426.3	426.3	426.3
Waterberg #1 NE	-	551.7	-	551.7	551.7
Ledjadja #1 S & Ledjadja #3	-	-	664.2	664.2	664.2
Ledjadja #2	791.3	-	-	791.3	791.3
Ledjadja #1 N	688.3	-	-	688.3	688.3
Total	**1,479.6**	**551.7**	**1,090.5**	**3,121.8**	3,121.8

*Total *in situ* tonnes of coal excluding shale content. The total resource including shale is 6.4 billion tonnes.

3. Coal Reserves Statement

	2016 Probable Reserve	2015 Probable Reserve
	(mt)	(mt)
Waterberg #1 SW	314.2	314.2
Ledjadja #1 S & Ledjadja #3	430.6	430.6
Total	**744.8**	744.8

Competent person's statement

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. Information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Wyk has given and has not withdrawn consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Resource Generation Limited

Corporate directory

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Lulamile Xate (Deputy Chairman)
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Colin Gilligan
Leapeetswe Molotsane
Dr Konji Sebati

Company Secretary
Michael Meintjes

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