

31 January 2017

Market Announcements Office
ASX Limited

**ACTIVITIES REPORT & QUARTERLY CASH FLOW
QUARTER ENDED 31 DECEMBER 2016**

During the December 2016 quarter Resources & Energy Group Limited (REZ) continued to evaluate the Mount Mackenzie Project in Central Queensland and undertake the development of the Radio Project located in Western Australia.

Mt Mackenzie Project

During the three months to 31 December 2016 site investigations required for the preparation of a project feasibility study have been completed. A total of 2400m of RC drilling distributed over 17 drill holes was completed as part of this work. This included 110m of HQ3 core, providing sample representing oxide, transitional and primary ore types from the North Knoll prospect. This material is now undergoing a program of metallurgical tests.

Field investigations also included a program of Mobile Metal Ion (MMI) soil sampling over the Clive Creek prospect, which is located approximately 6km north of Mt Mackenzie. The MMI investigations are directed at historical anomalies identified by former operators. A total of 419 samples were collected as part of this work and results are expected during the period to March 2017

In addition to the above activity, a preliminary environmental and planning assessment of the project site was completed by CQG Consulting. The purpose of this work was to identify whether there are any pre-existing constraints to development proceeding at Mt Mackenzie. An understanding of the likely planning process and approvals regime the project would be subject to moving forward was also sought.

The assessment did not identify any Strategic Environmental Areas, Environmentally Sensitive Areas or protected flora survey triggers occurring on or within proximity to site. The need for an Environmental Impact assessment under the Environmental Protection Act 1994 (QLD) is therefore not considered likely. At this stage REZ is planning on an Environmental Authority (EA) being required, which would be assessed by the Department of Environment and Heritage as a site specific resource activity.

Radio Mine Project

During the December 2016 quarter there was continued activity to develop the Radio Gold Mine site. Final approval was issued by the Western Australian Department of Mines and Petroleum (DMP) for a Mining Proposal, allowing for

the commencement of dewatering of the old underground mine shaft for geological assessment and bulk sampling of lodes. In addition, an Explosives Storage Licence has been issued, allowing for works to commence on the site magazine construction.

Mine dewatering has now commenced from the main shaft with the water level at the end of the quarter at approximately 22 meters below surface (mbs). Initial dewatering is by 22kW borehole pump, which is envisaged to take the water to the 90mbs level, whereupon a larger submersible pump will be installed to allow for a higher pressure head & expected particulates towards the base of the shaft at 110mbs.

The single access from the vertical shaft to the underground mine is at the 10 Level crosscut, located approximately 105mbs. Approximately 50,000 kL of water is to be removed from the mine to access this opening. The shaft ladderways and timber sets will be refurbished as the water level drops.

Site electrical setup is largely complete, with the site feed from a 350kVA diesel generator switching to a 45kVA camp supply backup. Supply cables have been buried and the main surface distribution layout installed. Workshop setup is complete.

The headframe and hoisting system installation continues, with engineering calculations completed to support the submission to DMP for the required Winding System approval for man-riding. The 1 tonne skip conveyance to be utilised in the shaft for personnel movement & rock haulage is currently undergoing refurbishment and testing.

The purchase, on favourable terms, of a large quantity of mining equipment and spares was completed and relocated to the mine site. This equipment purchase significantly improves our readiness for shaft mining operations and provides immediate inventory to support continuing mine building activities.



Radio site looking west

Other

REZ also continues to investigate other opportunities, with a focus on projects with potential for early reserves identification, development and cash flow.

As previously advised, during the December 2016 quarter a further draw down of \$557,000 was made from the \$2.2 million Project Development Notes facility (PDN1), which has brought the drawn balance to \$1.1 million. A second issue of Project Development Notes (PDN2) was also put in place during the quarter and an amount of \$1.5 million drawn down. PDN1 and PDN2 are designed to provide capital for further exploration and development work of REZ's tenements and general working capital.

Tenement Schedule

State	Project	Number	Status	REZ beneficial ownership	Expiry
Queensland	Mt Mackenzie	EPM10006	Live	100%	28/03/2018
	Mt Mackenzie	EPM12546	Live	100%	28/01/2018
	Mt Mackenzie	EMP17515	Live	100%	14/05/2016
Western Australia	Radio	ML77/633	Live	100%	24/08/2036
South Australia	Deep Energy	GEL486	Being relinquished	51.85%	

For further information please contact:

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About Resources & Energy

Resources & Energy Group Limited (ASX: REZ) is an independent, ASX-listed gold explorer, holding mining leases in Western Australia and Queensland. REZ aims to develop a portfolio of mining tenements through to production.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013827

Name of entity

Resources & Energy Group Limited

ABN

12 110 005 822

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter (3 months) \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(361)	(453)
(b) development	(19)	(647)
(c) production	-	-
(d) administration	(257)	(362)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(190)	(207)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(827)	(1,669)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(123)	(123)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Cash acquired from purchase of subsidiary)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(950)	(1,792)

	Current quarter (3 months) \$A'000	Year to date (3 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(950)	(1,792)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	2,009	2,009
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other – costs of equity	-	-
Net financing cash flows	2,009	2,009
Net increase (decrease) in cash held	1,059	217
1.20 Cash at beginning of quarter/year to date	85	927
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	1,144	1,144

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in items 1.2 & 1.5	393
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Management, corporate advisory and accounting fees from current and prior periods

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

\$87,500 owed by a director pursuant to a draw down by the company under the Project Development Notes was offset against other balances owed to the director.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities –		
Project Development Note – issue 1	2,228	1,144
Project Development Note – issue 2	1,540	1,540
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	300
4.2	Development	500
4.3	Production	-
4.4	Administration	150
Total		950

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	1,144	85
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		1,144	85

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	95,682,306	80,682,306		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	Class & number Class A 2,000,000 Class B 2,000,000 Class C 1,000,000 Class D 1,000,000 Class E 18,566,000 Class F 5,000,000 Class G 2,500,000 Class H 11,000,000 Class I 500,000 Class J 500,000		<u>Exercise Price</u> \$0.05 \$0.05 \$0.06 \$0.12 \$0.12 \$0.12 \$0.12 \$0.12 \$0.14 \$0.12 \$0.12	<u>Expiry Date</u> 31/12/2017 31/12/2018 31/12/2018 31/12/2019 31/3/2021 31/3/2021 31/3/2021 31/3/2021 30/11/2021 31/3/2021 31/3/2021
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.11	Debentures <i>(totals only)</i>				

7.12	Unsecured notes <i>(totals only)</i>		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Print name: Warren Kember
(Company Secretary)

Date: 31 January 2017

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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