

27 April 2017

Market Announcements Office
ASX Limited

ACTIVITIES REPORT & QUARTERLY CASH FLOW QUARTER ENDED 31 MARCH 2017

During the March 2017 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 reporting period metallurgical investigations have commenced at ALS Balcatta testing facility located in Perth WA. Approximately 110 m of HQ 3 core, providing sample representing oxide, transitional and primary ore types from the North Knoll prospect has been submitted for analysis.

As at end of March 2017, SAG Mill Comminution (SMC) and Abrasion Index (AI) test work has been completed on composite Oxide, Transitional and Primary Ore master samples. Bond Work Index (BWI) tests are in progress for Oxide and Primary ore master samples, and completed for the Transitional Master samples. Grind establishment and leach tests on Transitional composites are in progress, with work on the Oxide and Primary ore samples due to commence in April 2017.

Head assays for 15 variability composite samples have also been completed. Extractive test works on the master composites are also expected to commence during April 2017.

In parallel with metallurgical test work, a Scoping Study for the project has commenced. The purpose of the study is to develop and refine a mining and processing base case for the Mount Mackenzie project to justify and guide project feasibility studies and development options.

Radio Mine Project

During the March quarter REZ received approval of the Radio Gold Mine Project Management Plan from the Department of Mines & Petroleum (DMP).

Site activities were focussed on completion of mine dewatering and shaft rehabilitation. This will enable access to the historical underground for geological assessment and bulk sample mining. To date approximately 45,000kL of groundwater have been removed from the mine, dropping the water level to the targeted 10 Level access at 100 metres below surface.

Shaft refurbishment works was commenced concurrently with the pumping. The shaft ladder way was replaced from the shaft collar to the 10 Level, allowing for preliminary inspection of the underground workings in that the vicinity. No issues have been identified as result of these inspects as yet.

The final DMP approval to allow for man-riding on the hoisting system has been submitted and various queries addressed. A mandatory site inspection and signoff is expected in May. Installation of the tipping scrolls and rock chute onto the headframe are completed to allow for skip handling. Installation of new guides in the haulage compartment and commission the skip for run-through, along with steelwork construction of the headframe ore bin, is underway.

From the ore bin location, preparatory work on the layout for the construction of the gravity plant continues including relocation of ore handling equipment, electrical reticulation and water management.

In conjunction with the shaft works, surface preparations are ongoing to support site-based personnel including installation of a mine change house and laundry facility. Also completed were accommodation camp upgrades and a general site clean up after major rainfall in late January.

At all times, particularly during the shaft commissioning process, personnel safety is of paramount importance. Strict attention is given to the management of hazards and the execution processes of difficult tasks. REZ is prudently developing and operating the requisite safety management systems to build a capable and safe operating culture.

We expected mine hoist commissioning and underground sampling activities in commence in the coming quarter.



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, Project Development Notes facilities have been put in place to provide capital for further exploration and development work of REZ's tenements and general working capital. An amount of \$557,000 has been drawn in April 2017 to assist with funding of ongoing activities.

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%	Being renewed
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, 01/05/13, 01/09/16

Name of entity

Resources & Energy Group Limited	
ABN	Quarter ended ("current quarter")
12 110 005 822	31 March 2017

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(100)	(553)
(b) development	(260)	(907)
(c) production	-	-
(d) staff costs	(74)	(251)
(e) administration and corporate costs	(221)	(406)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(61)	(268)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(93)	(93)
1.9 Net cash from / (used in) operating activities	(809)	(2,478)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets	(244)	(367)

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(244)	(367)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings	-	2,009
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	-	2,009
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,144	927
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(809)	(2,478)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(244)	(367)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	2,009

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	91	91

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	91	91
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	91	91

6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	63
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities		
	Project Development Note – issue 1	2,228	1,144
	Project Development Note – issue 2	1,540	1,540
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Project Development Note – issue 1

Lenders: Wholesale investors
Interest rate: 8.0% per annum
Security: Unsecured

Project Development Note – issue 2

Lenders: Wholesale investor
Interest rate: 8.0% per annum
Security: Unsecured

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	50
9.2	Development	500
9.3	Production	-
9.4	Staff costs	75
9.5	Administration and corporate costs	150
9.6	Other (provide details if material)	
9.7	Total estimated cash outflows	775

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 27 April 2017

Print name: Warren Kember
Company Secretary

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.