

RESOURCES & ENERGY GROUP LIMITED



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Resources & Energy Group Limited

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Resources & Energy Group Limited

Corporate Directory

Directors

Gavin Rezos
Richard Poole
Virginia Bruce
James Croser

Secretary

Warren Kember

Share Registry

Boardroom Pty Ltd
Level 12, 255 George St,
Sydney, NSW 2000
Telephone 1300 737 760/ +(612) 9290 9600
Email: enquiries@boardroomlimited.com.au

Auditor

LNP Audit and Assurance
Level 14, 309 Kent Street
Sydney, NSW 2000

Stock exchange listing

Resources & Energy Group Limited's fully paid ordinary shares are listed on the Australian Securities Exchange (ASX:REZ)

Registered office and principal place of business

Level 33 Colonial Centre
52 Martin Place
Sydney, NSW 2000

Telephone +(612) 9227 8900

Facsimile +(612) 9227 8901

ABN: 12 110 005 822

Web site: www.rezgroup.com.au

Solicitor

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth, WA 6000

Bankers

National Australia Bank
255 George Street
Sydney, NSW 2000

Resources & Energy Group Limited

Directors' Report

The directors present their report together with the annual Financial Report of Resources & Energy Group Limited (Company) and its controlled entities (the Group or consolidated entity) for the year ended 30 June 2017 and the Independent Audit Report thereon.

DIRECTORS

The details of directors of the Company at any time during or since the end of the financial year to the date of this report are set out below.

Names, qualifications, experience and special responsibilities

Mr Gavin Rezos

Bachelor of Laws, LLB, BA

Chairman, non-executive director, independent

Appointed: 22 April 2016

Completed years of service: 1 year

Mr Rezos has extensive Australian and international investment banking experience and is a former investment banking Director of HSBC Group with regional roles during his career in London, Sydney and Dubai. Mr Rezos has held chief executive officer positions and executive directorships of companies in the technology sector in Australia, the United Kingdom, the US and Singapore and was a non-executive director of Rowing Australia, the peak Olympics sports body for rowing in Australia from 2009 to 2014. He is currently the Non-Executive Chairman of Alexium International Group Limited and a principal of Viaticus Capital LLC. Non-executive director positions held during the past 3 years include Iluka Resources Limited and Department 13 International Limited.

Mr Richard Poole

Bachelor of Laws, Bachelor of Commerce, LLB, ASIA

Director and Chief Executive Officer, non-independent

Appointed: 12 July 2004

Completed years of service: 13 years

Mr Poole commenced his career as a lawyer specialising in mergers and acquisitions. He left the law in 1990 to build a research and development operation with operations in Japan, USA and Australia and added a manufacturing company in China in 1994. He successfully built the R&D company from its early stages to a public listed vehicle raising the necessary capital up to his departure in 1999. Since 1999 he has continued his involvement in fund raising and the development of companies. He is a principal of Arthur Phillip Pty Limited a corporate advisory firm providing investment services and he is an experienced corporate advisor and entrepreneur.

Ms Virginia Bruce

Non-executive director, independent

Appointed: 6 December 2004

Completed years of service: 12 years

Ms Bruce's international reputation was developed through her key role in developing International brand and business strategies for many Fortune 500 brands including Warner Bros, Mattel, Avon, Disney, Kelloggs, Audi, Volkswagen, Coca Cola, Network 7 including four back to back Olympics starting with the Sydney Olympic Games. She has worked extensively in the USA, Australia, Asia, China, Middle East and Europe, establishing business operations in all of these markets. Ms Bruce is currently the CEO of The REAL Group, which focuses on social development and mentoring programs.

Resources & Energy Group Limited

Directors' Report

Mr James Croser

Bachelor of Engineering

Director and Chief Operational Officer, non-independent

Appointed: 19 May 2016

Completed years of service: 1 year

Mr Croser is a qualified mining engineer from the Western Australian School of Mines, with over 20 years mining experience in the Australian resource sector. Mr Croser has held operational, technical and management roles at numerous hard rock mines particularly in the Kalgoorlie region, including Silver Swan, Bullant, Daisy-Milano and Frog's Leg. He has recently been General Manager of a Perth based mining consultancy company and the Managing Director of ASX listed Kalgoorlie Mining Company Limited until its takeover in mid 2013. Mr Croser was the founding director of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited), which was acquired by the Group in

Mr Michael Hogg

Non-executive director, independent

Appointed: 19 February 2013, Resigned: 8 August 2016

Completed years of service: 3 years

Mr Hogg is a former Australian CEO of The Cobra Group Pty Ltd, which is part of a direct sales organisation with over 10,000 sales representatives in 20 countries worldwide. Mr Hogg was a non-executive director of the ASX listed companies Firstfolio Limited and Australian Power & Gas Limited.

Company Secretary

Mr Warren Kember

Bachelor of Commerce, MBA, Dip Applied Finance

Appointed: 8 August 2016

Completed years of service: 1 year

Mr Kember is the Chief Financial Officer and Company Secretary of the Group and is responsible for directing all financial, legal and risk management. Mr Kember has significant experience in executive finance having served as Chief Financial Officer for a number of ASX listed companies in the construction, mining and technology sectors. More recently he was the Chief Financial Officer and, ultimately, the Chief Executive Officer of Australian Power & Gas Limited, a high growth, ASX listed energy retailer.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Gavin Rezos	250,000	7,500,000
Mr Richard Poole	14,067,302	6,250,000
Ms Virginia Bruce	50,000	-
Mr James Croser	3,597,022	-

Resources & Energy Group Limited

Directors' Report

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director were as follows:

	Directors' meetings	
	Eligible to attend	Attended
Mr Gavin Rezos	6	6
Mr Richard Poole	6	6
Ms Virginia Bruce	6	6
Mr James Croser	6	6
Mr Michael Hogg	-	-

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend. (2016: \$Nil).

PRINCIPAL ACTIVITIES

The principal activities of the Group are to explore and develop suitable mineral deposits, including gold and silver.

The company had 7 employees at 30 June 2017 (2016: 2 employees).

OPERATING RESULTS FOR THE YEAR

Financial results

The loss after tax of the Group for the year ended 30 June 2017 was \$1,415,567 (2016: \$1,427,224).

The operating loss included the following items:

- (i) an increase in corporate maintenance and employment expenses by \$380,193 as activity in relation to the Radio mine and Mount Mackenzie projects increased, along with corporate financing and acquisition reviews.
- (ii) share based payment expense of \$29,120 relating to the issue of share options during the year (a non-cash expense).

During the year the Company raised equity and debt capital to facilitate the continuing development of the Radio mine in Western Australia. Further draw downs of Project Development Notes #1 (PDN1s) raised \$1,332,500, and the placement of Project Development Notes #2 (PDN2s) raised \$1,540,000 during the financial year. New share options associated with the PDN2s provides the financiers with an opportunity to convert their loans into ordinary shares at 14 cents each on and from 31 March 2017 and expire on 31 March 2021.

Radio Gold Pty Limited

The Radio project located in the Kalgoorlie region of Western Australia under went significant development during the financial year and to the date of this report. To prepare for the re-opening of mining activities since its closure (under previous ownership) in the early 1970s, site works included the dewatering of the existing mine site to a level around 100m below the surface, installation of infrastructure including a head frame and the refurbishment and installation of a gravity feed processing plant. By the end of the financial year these activities were at an advanced stage and initial sampling of the previously mined rock face commenced. In September 2017, Radio Gold successfully removed its first ore from the mine which is expected to be processed offsite in early October. The crushing system has been completed and is undergoing commissioning. The plant is anticipated to be fully operational within 2 months.

Resources & Energy Group Limited

Directors' Report

Mount Mackenzie

The Mount Mackenzie project, located 110km northwest of Rockhampton, Queensland, under went further evaluation via a drilling program. The program focussed on strategically located exploration holes to confirm resource extents in the North Knoll, enabling mine planning studies to commence. Drilling included 110 metres of HQ3 core size, to provide samples of oxide, transitional and primary ore types. A scoping study to guide project feasibility is currently underway, which include assessment of environmental issues, mine planning and approvals, processing options and geotechnical assessment.

Tenement Schedule

State	Project	Number	Status	REZ beneficial ownership	Expiry
Queensland	Mt Mackenzie	EPM10006	Live	100.00%	28-03-18
Queensland	Mt Mackenzie	EPM12546	Live	100.00%	28-01-18
Queensland	Mt Mackenzie	EMP17515	Renewal in progress	100.00%	14-05-16
Western Australia	Radio Gold	ML77/633	Live	100.00%	24-08-36

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the following significant changes occurred:

- (i) the Group's geothermal project leases were relinquished;
- (ii) the Company undertook a number of capital raisings to facilitate development of its mining interests during the financial year, these consisted of:
 - drawing down of further amounts available under PDN1 of \$1,332,500;
 - the placement of PDN2 that raised \$1,540,000. An issue of 11,000,000 share options was also made concurrently to the providers of funds under PDN2; and
 - in August 2016 Resources & Energy Operations Pty Limited, a wholly owned subsidiary, was incorporated by the Group. The main function of this entity is to oversee the Group's administrative and employee activities;
- (iii) exploration and development expenditure of \$3,033,147 relating to the Radio Mine was reclassified as mine development assets, as the mine activity nears a production phase.

GOING CONCERN

The directors have prepared financial statements on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. At 30 June 2017, the Group's current assets of \$741,866 (2016: \$1,040,734) were less than current liabilities of \$1,447,376 (2016: \$863,994).

Current liabilities of \$1,447,376 included an amount of \$740,000 being the estimated current portion of unsecured interest bearing liabilities (project development notes).

The estimate is based on the amount that will become payable in the event that positive operating cash flow is recorded by the Group as forecasted in the Group's current financial projections. If positive operating cash flows are not recorded by the Group during the next financial year then no amounts will be due and payable by the Group in that period.

For the 12 months ended 30 June 2017 the Group recorded a loss before taxation of \$1,415,567 (2016: \$1,530,474), and net cash used by operating activities was \$1,599,844 (2016: \$393,856).

Resources & Energy Group Limited

Directors' Report

During the current phase of development the generation of sufficient funds from operating and financing activities in accordance with the Group's current business plan and growth forecasts is dependent on:

- (i) the availability of equity and financing facilities to fund working capital requirements; and
- (ii) increases in revenue and cash flows from trading.

As at 30 June 2017, the Group had fully drawn upon existing loan facilities agreement. Whilst having been fully drawn, the financiers had not paid \$250,500 at the balance date.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied regarding the Group's ability to maintain the continued support of current financiers, creditors and shareholders.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events occurring after the balance date which may affect either the Group's operations, results of those operations or the Group's state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Apart from the matters referred to above in the Operating Results for the year other likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the directors believe this could result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Exploration and development activities are subject to State and Federal laws and regulations. The Group has a policy of complying with its environmental performance obligations as a minimum, and during the reporting period, there has been no known breach of the environment regulations. The Group is committed to ensuring the activities of its business are conducted in a way so as to minimise adverse impacts on the environment and local communities.

Resources & Energy Group Limited

Directors' Report

UNISSUED SHARES UNDER OPTIONS

There were 44,066,667 share options on issue as at 30 June 2017 that can convert to ordinary shares in the ratio of one fully paid ordinary share for each share option. No share options have been issued subsequent to the end of the financial year to the date of this report.

Option class	Vesting conditions	Grant date	Expiry date	Exercise price	Number of share options
Class A (i)	na	22-12-14	31-12-17	\$0.05	2,000,000
Class B (i)	na	22-12-14	31-12-18	\$0.05	2,000,000
Class C (i)	VWAP > 7 cents	10-04-15	31-12-18	\$0.06	1,000,000
Class D (i) (ii)	Referral of projects	09-11-15	31-12-19	\$0.12	1,000,000
Class E	na	22-04-16	31-03-21	\$0.12	18,566,667
Class F	na	20-06-16	31-03-21	\$0.12	5,000,000
Class G	Continuing service	20-06-16	31-03-21	\$0.12	2,500,000
Class H	na	06-12-16	30-11-21	\$0.14	11,000,000
Class I	Continuing service	06-12-16	30-11-21	\$0.12	500,000
Class J	Continuing service	06-12-16	31-03-21	\$0.14	500,000
Share options on issue at 30 June 2017 per Note 16 of the Financial Report					44,066,667

(i) Exercisable anytime from date of issue until expiry

(ii) Class D options have been valued at nil due to uncertainty as to whether vesting condition will be met

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No indemnities have been given or insurance premiums were paid during the financial year for any person who is or has been an officer or auditor of the Group. Subsequent to the end of the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Group against a liability incurred as such by a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is party for the purpose of taking responsibility for the company for all or any part of those proceedings. The Company and Group were not party to any such proceedings during the financial year.

AUDITOR INDEPENDENCE

A copy of the external auditor's declaration under Section 370C of the Corporations Act in relation to the audit for the financial year is attached to the Financial Statements.

NON-AUDIT SERVICES

No non-audit services were provided during the current year by the auditor.

Resources & Energy Group Limited

Directors' Report

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, including executive and non-executive directors.

During the financial year ended 30 June 2017, KMP consisted of:

Mr Gavin Rezos	Non-executive director and Chairman
Mr Richard Poole	Director and Chief Executive Officer
Ms Virginia Bruce	Non-executive director
Mr James Croser	Director and Chief Operating Officer
Mr Michael Hogg	Non-executive director
Mr Warren Kember	Chief Financial Officer and Company Secretary

Principles used to determine the nature and amount of remuneration

In order for the Company and Group to prosper and enhance shareholder value, the Group must be able to attract and retain the highest calibre of executives. At this stage of the Group's development, a framework has not been developed that links performance and KMP remuneration. The responsibilities of the Remuneration Committee, which have been assumed by the full Board, include reviewing the remuneration of KMP and determining the nature and amount of emoluments of KMP on an annual basis. In conducting this review reference is made to market and industry conditions. Remuneration packages, can consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Where appropriate, share-based remuneration is provided to encourage KMP to focus on improving shareholder value and also to reduce cash costs during the Group's development phase.

The aggregate amount of non-executive director fees is limited to \$200,000 per annum as per a resolution of shareholders. For further information, please refer to our corporate governance plan and annual governance statement on our web site at www.rezgroup.com.au.

Short-term incentives and long-term incentives

Due to the current size of the Group and the extent of its operations limited short-term incentives, such as performance based bonuses or longer term incentives, were provided to KMP other than as shown below.

Details of remuneration

Amounts paid or owing to KMP during the financial year ended 30 June 2017 are set out below.

	Short-term benefits Salary & fees	Post employment Superannuation	Share-based payments Equity settled	Total
	\$	\$	\$	\$
Year ended 30 June 2017				
Mr Gavin Rezos	48,000	-	-	48,000
Mr Richard Poole	33,000	-	-	33,000
Ms Virginia Bruce	36,000	-	-	36,000
Mr James Croser	200,000	19,000	-	219,000
Mr Michael Hogg	5,000	-	-	5,000
Mr Warren Kember (i)	-	-	-	-
	322,000	19,000	-	341,000

Resources & Energy Group Limited Directors' Report

(i) Mr Kember was appointed on 8 August 2016 and his remuneration forms part of the fees charged by a director related entity, Proprietary & Fiduciary Services Pty Limited. Details of the nature of the engagement and the amount of fees charged are provided in Note 19 of the financial statements.

Amounts paid or owing to KMP during the financial year ended 30 June 2016 are set out below.

	Short-term benefits Salary & fees	Post employment Superannuation	Share-based payments Equity settled	Total
	\$	\$	\$	\$
Year ended 30 June 2016				
Mr Gavin Rezos	8,000	-	232,815	240,815
Mr Richard Poole	52,800	-	-	52,800
Ms Virginia Bruce	36,000	-	-	36,000
Mr James Croser	33,333	3,167	-	36,500
Mr Michael Hogg	30,000	-	-	30,000
	160,133	3,167	232,815	396,115

The percentage of total remuneration provided in the form of share-based payments for all KMP for the current financial year was nil. During the prior financial year Mr Gavin Rezos was provided share-based payments that were valued at 96% of his total remuneration.

Service agreements

The non-executive directors did not enter into any service agreements with the Group. The responsibilities of the Nomination Committee, which have been assumed by the full board, includes reviewing the appointment and retirement of Non-Executive Directors on a case by case basis. Currently all directors are required to be re-elected at least every three years and at least one-third of directors must retire at each Annual General Meeting.

The details of a service agreement entered into with the Chief Operating Officer are as follows:

Name	James Croser
Title	Director and Chief Operating Officer
Agreement commenced	11 April 2016 (as Chief Operating Officer)
Term of agreement	No fixed term, termination by either party with 1 months notice
Short and long term incentives	No incentive arrangements have been agreed
Remuneration	\$200,000 plus superannuation per annum

Share options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in the prior, current financial year or future reporting years are as follows:

Resources & Energy Group Limited

Directors' Report

Option class/Holder	Number of share options	Grant date	Expiry date	Exercise price	Fair value per option at grant date
Class F(i) Mr Gavin Rezos	5,000,000	20-06-16	31-03-21	\$0.12	\$155,210
Class G(ii) Mr Gavin Rezos	2,500,000	20-06-16	31-03-21	\$0.12	\$77,605
	<u>7,500,000</u>				<u>\$232,815</u>

- (i) Earliest exercise date 31 March 2017
(ii) Earliest exercise date 31 March 2017, vesting subject to ongoing service until 31 March 2017

The Share options were issued to Mr Rezos as an incentive upon joining the board of the Company. Share options carry no entitlement to dividends or right to vote. No share options were exercised, cancelled or lapsed during the current or prior financial year. No person entitled to exercise share options had or has any right by virtue of the options to participate in any share issue of any other body corporate.

Movements in Shares held by Key Management Personnel

2017	Balance at the start of the year	Granted as compensation	Net other change	Balance at the end of the year
Mr Gavin Rezos	250,000	-	-	250,000
Mr Richard Poole (i)	12,742,729	-	1,324,573	14,067,302
Ms Virginia Bruce	50,000	-	-	50,000
Mr James Croser (ii)	3,597,022	-	-	3,597,022
Mr Michael Hogg	-	-	-	-
Mr Warren Kember	-	-	-	-

- (i) Shares were acquired by the director's related entities via off market trades
(ii) 3,597,022 ordinary shares were issued to Mr Croser pursuant to the acquisition of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited). Of these ordinary shares, 1,798,511 are subject to a performance condition as set out in Note 16 of the Financial Statements.

Movements in Share Options held by Key Management Personnel

2017	Balance at the start of the year	Granted as compensation	Granted on subscription to loan	Net other change	Balance at the end of the year
Mr Gavin Rezos	7,500,000	-	-	-	7,500,000
Mr Richard Poole	6,250,000	-	-	-	6,250,000
Ms Virginia Bruce	-	-	-	-	-
Mr James Croser	-	-	-	-	-
Mr Michael Hogg	-	-	-	-	-
Mr Warren Kember	-	-	-	-	-

End of remuneration report

Signed in accordance with a resolution of the directors.



Mr Gavin Rezos
Chairman
Sydney, 28 September 2017

Resources & Energy Group Limited

Mineral Resources and Ore Reserves

Group mineral resources as at 30 June 2017 were estimated at 2.3 million tonnes at 1.30g/t Au for 100,000 ounces. These figures relate only to the Mount Mackenzie mine in Queensland. Resource figures prepared in accordance with the requirements of 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' for the Radio mine in Western Australia are not yet available.

Mineral Resources

Project	Type	Cut off (g/t)	Indicated					Inferred					Total				
			Tonnes (kt)	Gold grade (g/t)	Gold metal (koz)	Silver grade (g/t)	Silver metal (koz)	Tonnes (kt)	Gold grade (g/t)	Gold metal (koz)	Silver grade (g/t)	Silver metal (koz)	Tonnes (kt)	Gold grade (g/t)	Gold metal (koz)	Silver grade (g/t)	Silver metal (koz)
30 June 2017																	
Mount Mackenzie	Underground																
Oxide		0.43	450	1.18	17	9	130	520	1.18	20	4	67	970	1.18	37	7	197
Primary		0.58	700	1.42	32	14	315	700	1.37	31	5	112	1,400	1.39	63	9	427
			<u>1,150</u>	<u>1.33</u>	<u>49</u>	<u>12</u>	<u>445</u>	<u>1,220</u>	<u>1.29</u>	<u>51</u>	<u>5</u>	<u>179</u>	<u>2,370</u>	<u>1.30</u>	<u>100</u>	<u>16</u>	<u>326</u>
30 June 2016																	
Mount Mackenzie	Underground																
Oxide		0.43	450	1.18	17	9	130	520	1.18	20	4	67	970	1.18	37	7	197
Primary		0.58	700	1.42	32	14	315	700	1.37	31	5	112	1,400	1.39	63	9	427
			<u>1,150</u>	<u>1.33</u>	<u>49</u>	<u>12</u>	<u>445</u>	<u>1,220</u>	<u>1.29</u>	<u>51</u>	<u>5</u>	<u>179</u>	<u>2,370</u>	<u>1.30</u>	<u>100</u>	<u>16</u>	<u>326</u>

Competent Persons Statement and Consent

The information in this release that relates to mineral resources is based on and fairly represents information compiled by Mr. Michael Johnstone and Mr Todd Axford and who are members of the Australasian Institute of Mining and Metallurgy, and Principal Consultants for Minerva Geological Services (MGS) and Geko Co (GKC) respectively. MGS and GKC have been contracted by Resources & Energy Group Limited (the Company) to provide exploration management, advice and guidance to the company. Both Mr. Axford and Mr Johnstone have sufficient technical experience that is relevant to the reporting of exploration results 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. Axford and Mr Johnstone consent to the inclusion in this release of the matters based on their information in the form and context in which it appears.

This presentation contains information initially provided in releases made by the Company to the ASX on 26 February 2016 and 21 June 2016 concerning the Mt Mackenzie Resource. The Company is not aware of any new information or data that materially affects the information included in previous ASX announcements and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Resources & Energy Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from continuing operations			
Other income	4(a)	8,575	2,503
Consulting fees		(39,511)	(254,666)
Legal costs		(37,014)	(54,979)
Corporation maintenance expenses		(294,897)	(93,882)
Director fees		(122,000)	(126,800)
Employee benefits expense	4(b)	(232,062)	(52,884)
Finance costs	4(c)	(319,601)	(26,625)
Depreciation		(38,763)	-
Write off of exploration and evaluation assets		-	(416,817)
Impairment of property, plant and equipment		-	(149,492)
Share-based payments expense		(29,120)	(232,815)
Other expenses		(311,174)	(124,017)
Loss before income tax		(1,415,567)	(1,530,474)
Income tax benefit	5	-	103,250
Loss after tax from continuing operations		(1,415,567)	(1,427,224)
Total comprehensive loss for the year attributable to the owners of Resources & Energy Group Limited			
		(1,415,567)	(1,427,224)
Total comprehensive loss is attributable to:			
- shareholders of Resource & Energy Group Limited		(1,394,379)	(1,386,127)
- non- controlling interests		(21,188)	(41,097)
		(1,415,567)	(1,427,224)
Loss per share (cents per share) – basic and diluted	14	(1.46)	(1.93)

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Resources & Energy Group Limited
Consolidated Statement of Financial Position
As at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	6	323,710	927,687
Trade and other receivables		298,156	13,047
Financial assets	7	120,000	100,000
Total current assets		741,866	1,040,734
Non-current Assets			
Property, plant and equipment	8	466,402	84,621
Exploration and evaluation assets	9	1,581,148	2,922,421
Mine development	10	3,033,147	-
Total non-current assets		5,080,697	3,007,042
Total assets		5,822,563	4,047,776
Liabilities			
Current liabilities			
Trade and other payables		373,054	485,770
Interest-bearing loans and borrowings	11	1,043,067	375,724
Provisions		31,255	2,500
Total current liabilities		1,447,376	863,994
Non-current liabilities			
Interest-bearing loans and borrowings	11	2,086,865	407,782
Total non-current liabilities		2,086,865	407,782
Total liabilities		3,534,241	1,271,776
Net assets		2,288,322	2,776,000
Equity			
Issued capital	12	14,666,238	14,666,238
Reserves	13	1,378,273	450,384
Retained earnings		(16,128,806)	(14,734,427)
Total equity attributable to the shareholders of Resources & Energy Group Limited		(84,295)	382,195
Non-controlling interests		2,372,617	2,393,805
Total equity		2,288,322	2,776,000

This consolidated statement of financial position should be read in conjunction with the notes to the financial statements

Resources & Energy Group Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,514,641)	(396,359)
Interest paid		(93,779)	-
Interest received		8,575	2,503
Net cash flows used in operating activities	6(b)	(1,599,844)	(393,856)
Cash flows from investing activities			
Purchase of property, plant and equipment		(420,540)	(54,621)
Exploration and evaluation costs capitalised		(668,620)	(239,639)
Mine development costs capitalised		(1,023,252)	-
Net acquisition of subsidiary, net of cash acquired		-	(234,342)
Deposits		(20,000)	-
Net cash flows used in investing activities		(2,132,412)	(528,602)
Cash flows from financing activities			
Issue of ordinary shares		-	1,100,000
Issue of ordinary shares - issue costs		-	(67,650)
Proceeds from issue of project development notes		3,123,500	557,000
Proceeds from borrowings - related party, net		4,779	158,365
Net cash flows provided by financing activities		3,128,279	1,747,715
Net increase/(decrease) in cash and cash equivalents		(603,977)	825,257
Cash and cash equivalents at beginning of period		927,687	102,430
Cash and cash equivalents at end of period	6(a)	323,710	927,687

This consolidated statement of cash flow should be read in conjunction with the notes to the financial statements

Resources & Energy Group Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Issued capital \$	Share option reserve \$	Retained earnings \$	Non- controlling interests \$	Total \$
Balance at 1 July 2015	11,862,554	57,277	(13,348,300)	2,434,902	1,006,433
Total comprehensive income for the year			(1,386,127)	(41,097)	(1,427,224)
Issue of shares	2,900,000	-	-	-	2,900,000
Capital raising cost	(96,317)	-	-	-	(96,317)
Issue of share options to director	-	232,815	-	-	232,815
Recognition of equity component on issue of project development notes		160,292			160,292
Balance at 30 June 2016	14,666,238	450,384	(14,734,427)	2,393,805	2,776,000
Balance at 1 July 2016	14,666,238	450,384	(14,734,427)	2,393,805	2,776,000
Total comprehensive income for the year	-	-	(1,394,379)	(21,188)	(1,415,567)
Issue of options	-	29,120	-	-	29,120
Recognition of equity component on issue of project development notes	-	998,440	-	-	998,440
Capital raising cost	-	(99,671)	-	-	(99,671)
Balance at 30 June 2017	14,666,238	1,378,273	(16,128,806)	2,372,617	2,288,322

This consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

1 Corporate information

Resources & Energy Group Limited (the "Company") is a listed public company incorporated and domiciled in Australia. The consolidated financial statements for the year ended 30 June 2017 comprise the Company and its controlled entities (together referred to as the "Group").

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

The consolidated financial statements were approved by the Board of Directors on 28 September 2017.

The principal accounting policies are set out below. These policies have been consistently applied unless otherwise noted.

2 Summary of significant accounting policies

a Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit listed public entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements have been prepared on the basis of historical cost, except where assets or liabilities 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. All amounts are presented in Australian dollars.

b Going concern

The directors have prepared financial statements on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. At 30 June 2017, the Group's current assets of \$741,866 (2016: \$1,040,734) were less than current liabilities of \$1,447,376 (2016: \$863,994).

Current liabilities of \$1,447,376 included an amount of \$740,000 being the estimated current portion of the unsecured interest bearing liabilities (project development notes).

The estimate is based on the amount that will become payable in the event that positive operating cash flow is recorded by the Group, as forecast in the Group's current financial projections. If a positive operating cash flow is not recorded by the Group during the next financial year then no amounts are due and payable by the Group in that period.

For the 12 months ended 30 June 2017 the Group recorded a loss before taxation of \$1,415,567 (2016: \$1,530,474), and net cash used by operating activities was \$1,599,844 (2016: \$393,856).

During the current phase of development the generation of sufficient funds from operating and financing activities in accordance with the Group's current business plan and growth forecasts is dependent on:

- (i) the availability of equity and financing facilities to fund working capital requirements; and
- (ii) increases in revenue and cash flows from trading.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

As at 30 June 2017, the Group had fully drawn upon existing loan facilities agreement. Whilst having been fully drawn, the financiers had not paid \$250,500 at the balance date.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied regarding the Group's ability to maintain the continued support of current financiers, creditors and shareholders.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

c Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. 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.

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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

d Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

e Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimate uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Carrying value of exploration, evaluation and development assets

The Group capitalises expenditure relating to exploration, evaluation and mine development where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

The Group reclassifies exploration and evaluation expenditure to mine development assets when the Board assess that the mine has reached a point where it is certain that extraction of ore will commence in the immediate future.

Capitalised expenditure for exploration and evaluation is carried at the end of the reporting period at \$1,581,148 (2016: \$2,922,421). Capitalised expenditure for mine development is carried at the end of the reporting period at \$3,033,147 (2016: Nil).

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. Each mine is considered to be a separate CGU. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance or the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Determination of mineral resources and ore reserves

The Group estimates its Mineral Resources and Ore Reserves in accordance with the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code"). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented in the statement of Mineral Resources and Ore Reserves are determined under the JORC Code where information is available. When a resource or reserve amount prepared in accordance with the JORC Code for a particular mine is not available, then no amounts are disclosed. For the purposes of impairment testing of assets the Board applies JORC Code verified information when it is available, or otherwise management estimates of potential resources.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact depreciation and amortisation rates, asset carrying values and impairment assessments.

Amortisation of mine development expenditure

Mine development costs are amortised on a units of production basis over the life of the mine to which they relate. In applying a units of production method, amortisation is calculated using the expected total contained ounces with the mine to achieve a consistent amortisation rate per ounce. To achieve this the amortisation rate is based on the ratio of the annual ounces produced over the expected total contained ounces.

Going concern

The financial statements have been prepared on the basis that the Group is a going concern, refer to Note 1(b) for discussion on the basis of this assumption.

Equity component of converting loans

The equity component that arises from the ability of loan providers to convert their loans into ordinary shares of the Company is calculated with reference to a market rate of interest. Due to the lack of a readily available debt market for the Company at its stage of development, an estimated market rate has been determined.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

Share based payments

The costs of the share-based payments are calculated on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. This assumes also the input into the valuation model of some relevant judgments, like the estimated expected life of the share option and the market volatility of the Company's ordinary shares.

The judgments made and the model used are further detailed in Note 16.

f Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Other revenue is recognised when the right to receive the revenue has been established.

g Borrowing costs

Borrowing costs are recognised as an expense when incurred.

h Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand, short-term deposits and highly liquid investments with a maturity of three months or less.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

i Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

Other receivables are recognised at amortised cost, less any provision for impairment.

j Financial Instruments - initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

(i) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition based on the nature and purpose of a financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the income statement in finance costs for loans or other operating expenses for receivables.

(ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(iii) Financial liabilities

Financial liabilities are classified as trade and other payables, loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as, at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

k Income tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

I Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

m Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated using a combination of straight-line and diminishing-value basis over the estimated useful life of all assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Property, plant and equipment are depreciate over periods of three to five years.

n Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, including gold and copper, and includes:

- assessing all available geophysical data including gravity, magnetic and seismic and collation of additional data;
- exploratory drilling;
- determining and examining the volume and grade of the resource; and
- cost of acquisition of exploration tenements.

Administration costs that are not directly attributable to a specific exploration area are charged to the profit or loss. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Exploration and evaluation expenditure is capitalised in respect of each identifiable area of interest as the exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable gold deposits that are of sufficient scale to support the project concept.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indication of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. When production commences, the assets for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated exploration and evaluation expenditure in relation to an abandoned area are written-off in full in profit and loss in the period in which the decision of abandon the area is made.

o Mine development expenditure

Mine development costs include costs incurred in preparing and re-opening mine sites for production.

Mine development costs are amortised on a units of production basis over the life of the mine to which they relate. In applying a units of production method, amortisation is calculated using the expected total contained ounces within the mine to achieve a consistent amortisation rate per ounce. The amortisation rate is based on the ratio of the ounces produced annually over the expected total contained ounces.

p Site restoration

Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the requirements of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology.

Costs of site restoration are recognised in full at present value as a non-current liability. An equivalent amount is capitalised as part of the cost of the asset when an obligation arises to decommission or restore a site to a certain condition after abandonment as a result of bringing the assets to its present location. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

Based on managements estimates the amount of site restoration costs at financial year end was not material and further assessment will be made as the development and production progresses.

q Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU's") fair value less costs to sell and its value-in-use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the income statement in expenses.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

r Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of either a binomial or Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date, with any changes in fair value recognised in profit or loss for the year.

s Employee benefits provision

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other short-term employee benefits are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2017

t 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, net of tax, from the proceeds.

u Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

v New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 period. The Group has adopted all new standards and interpretations which became mandatorily effective during the period. There has been no significant impact on the reported financial position or performance of the Group on adoption.

AASB 9 Financial Instruments and amending standards, effective from 30 June 2018

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics test. All investment in equity instruments using AASB 9 are to be measured at fair value.

It is not expected that these changes will have material impact on the Group.

AASB 15 Revenue from contracts with customers and amending standards, effective from 30 June 2018

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Changes in revenue recognition may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The group has not entered into any contracts with customers as the Group is not yet trading. Therefore, it is not expected that these changes will have a material impact on the Group.

AASB 2016 -5 Amendments to Australian Accounting Standards – Clarification and Measurement of Share Based Payments, effective from 30 June 2018

AASB 2016 -5 addresses the accounting for the vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. It is not expected that these changes will have material impact on the Group.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

3 Segment information

As at the date of this report, the Group has two operating segments: gold mine exploration and development and other activities (primarily corporate costs). A previous segment of geothermal mining has been discontinued. The Group has identified its operating segments based on internal reports that are reviewed and used by the chief operating decision maker in assessing performance. The accounting policies and amounts reported for internal reporting are consistent with the financial information in this financial report.

	Geothermal	Gold	Other	Total
	\$	\$	\$	\$
2017				
Segment revenue				
Interest income	-	-	8,575	8,575
Segment expenses				
Administration and employment costs	19,676	-	1,024,914	1,044,590
Depreciation, impairment and amortisation	-	37,426	1,337	38,763
Finance costs	-	-	319,601	319,601
	19,676	37,426	1,345,852	1,402,954
Income tax benefit	-	-	-	-
Loss after tax from continuing operations	(19,676)	(37,426)	(1,337,277)	(1,394,379)
Segment assets	-	5,080,697	741,866	5,822,563
Segment liabilities	-	1,447,376	2,086,865	3,534,241
2016				
Segment revenue				
Interest income	-	-	2,503	2,503
Segment expenses				
Administration and employment costs	3,229	23,934	871,783	898,946
Depreciation, impairment and amortisation	416,817	149,492	-	566,309
Finance costs	11,880	-	14,745	26,625
	431,926	173,426	886,528	1,491,880
Income tax benefit	-	-	103,250	103,250
Loss after tax from continuing operations	(431,926)	(173,426)	(780,775)	(1,386,127)
Segment assets	-	3,091,829	955,947	4,047,776
Segment liabilities	-	47,732	1,224,044	1,271,776

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

	2017 \$	2016 \$
4 Revenue and expenses		
(a) Revenue		
Other income - interest received	<u>8,575</u>	2,503
(b) Employee benefits expense		
Wages and salaries	213,065	49,717
Superannuation benefits	<u>18,997</u>	3,167
Total employee benefits expense	<u>232,062</u>	52,884
(c) Finance costs		
Interest expense - Project Development Notes	105,517	5,170
Project Development Notes - equity component amortisation	202,204	9,575
Interest expense - related party (refer Note 19)	<u>11,880</u>	11,880
Total finance costs	<u>319,601</u>	26,625
5 Income tax		
Income tax expense - tax benefit written off	<u>-</u>	<u>(103,250)</u>

The Group has tax losses as at the 30 June 2017 of \$2,831,885 (2016: \$3,051,626). The benefit relating to these and the current year losses has not been recognised in the financial report at 30 June 2017 as it is not probable that future taxable profit will be available against which the Group would be able to utilise these losses.

Tax returns for the Group for the year ended 30 June 2017 are in progress at the date of this report.

Current and prior year tax losses will only be available to offset against future profits if:

- (i) the Group and the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group and the Company continue to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Group and the Company in realising the benefit from the

The Company and its wholly owned entities have not formed a consolidated income tax group as of 30 June 2017.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

	2017 \$	2016 \$
6 Cash and cash equivalents		
(a) Cash and bank balances	<u>323,710</u>	<u>927,687</u>
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
(b) Reconciliation from the net profit after tax to the net cash flows from operations		
Loss from continuing operations after tax	(1,415,567)	(1,427,224)
<i>Adjustments for:</i>		
Depreciation	38,763	-
Share-based payments	29,120	232,815
Project development notes - equity component amortisation	202,204	-
Project development notes - equity component of interest paid	(47,880)	-
Impairment of property, plant and equipment	-	149,492
Write off of mining rights and exploration costs	-	416,817
Deferred tax write off	-	(103,250)
Other	(17,414)	-
<i>Changes in operating assets and liabilities, net of effects from purchase of controlled entity</i>		
Decrease/(increase) in receivables	(285,109)	(105,803)
Decrease/(increase) in deposits	(20,000)	-
(Decrease)/increase in payables	(112,716)	439,012
(Decrease)/increase in other liabilities	28,755	4,285
Net cash used in operating activities	<u>(1,599,844)</u>	<u>(393,856)</u>
7 Financial assets		
Deposits	<u>120,000</u>	<u>100,000</u>

Deposits of \$120,000 (2016: \$100,000) are subject to a charge refer Note 17.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

8 Property, plant and equipment

	Freehold land	Plant and equipment	Total
At 30 June 2017			
Cost	30,000	477,404	507,404
Accumulated depreciation	-	(41,002)	(41,002)
Net carrying amount	<u>30,000</u>	<u>436,402</u>	<u>466,402</u>

Movement in property, plant and equipment			
Carrying amount at the beginning of the year	30,000	54,621	84,621
Additions - other	-	420,542	420,542
Depreciation charge for the year	-	(38,761)	(38,761)
Carrying amount at the end of the year	<u>30,000</u>	<u>436,402</u>	<u>466,402</u>

	Freehold land	Plant and equipment	Total
At 30 June 2016			
Cost	30,000	56,861	86,861
Accumulated depreciation	-	(2,240)	(2,240)
Net carrying amount	<u>30,000</u>	<u>54,621</u>	<u>84,621</u>

Movement in property, plant and equipment			
Carrying amount at the beginning of the year	30,000	-	30,000
Additions - other	-	56,861	54,621
Additions - made on acquisition of entity		149,492	149,492
Impairment		(149,492)	(149,492)
Depreciation charge for the year	-	(2,240)	-
Carrying amount at the end of the year	<u>30,000</u>	<u>54,621</u>	<u>84,621</u>

9 Exploration and evaluation assets

	Geothermal	Gold	Total
At 30 June 2017			
Cost	-	1,581,148	1,581,148
Accumulated depreciation and impairment	-	-	-
Net carrying amount	<u>-</u>	<u>1,581,148</u>	<u>1,581,148</u>

Movement in exploration and evaluation assets			
Carrying amount at the beginning of the year	-	2,922,421	2,922,421
Additions	-	1,691,874	1,691,874
Reclassification to mine development expenditure (Note 10)		(3,033,147)	(3,033,147)
Depreciation charge for the year	-	-	-
Carrying amount at the end of the year	<u>-</u>	<u>1,581,148</u>	<u>1,581,148</u>

Resources & Energy Group Limited

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

	Geothermal	Gold	Total
At 30 June 2016			
Cost	-	2,922,421	2,922,421
Accumulated depreciation and impairment	-	-	-
Net carrying amount	-	2,922,421	2,922,421
Movement in exploration and evaluation assets			
Carrying amount at the beginning of the year	408,817	713,575	1,122,392
Additions	8,000	311,641	319,641
Additions - acquisition of entity	-	1,897,205	1,897,205
Written off exploration and evaluation assets	(416,817)	-	(416,817)
Depreciation charge for the year	-	-	-
Carrying amount at the end of the year	-	2,922,421	2,922,421

Exploration licenses are carried at cost of acquisition less impairment losses. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The recoverable amount of development expenditure is determined as the higher of its fair value less costs to sell and its value in use.

The geothermal energy capitalised expenditure was been impaired in the prior year in the amount of \$416,817 following a decision to seek relinquishment of the exploration license. The directors have impaired the geothermal assets on the following basis:

- existence of significant uncertainty with respect to the valuation of exploration and evaluation assets;
- the cost to commercialise the asset are economically prohibitive as the Group could not raise funding or partner with another company; and
- commercialisation of geothermal assets in Australia is in its infancy and there is uncertainty in the market as to the fair value and commercial viability of the asset.

10 Mine development assets

	Gold	Total
At 30 June 2017		
Cost	3,033,147	3,033,147
Accumulated depreciation and impairment	-	-
Net carrying amount	3,033,147	3,033,147
Movement in exploration and evaluation assets		
Carrying amount at the beginning of the year	-	-
Reclassification from exploration and development expenditure (Note 9)	3,033,147	3,033,147
Carrying amount at the end of the year	3,033,147	3,033,147

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Notes to the Financial Statements (continued)
For the year ended 30 June 2017

11 Interest-bearing loans and borrowings

	2017 \$	2016 \$
Current - unsecured		
Borrowings - related party (i)	303,067	375,724
Borrowings - project development notes issue 1 (ii)	740,000	-
	1,043,067	375,724
Non-current - unsecured		
Borrowings - related party (i)	-	-
Borrowings - project development notes issue 1 (ii)	968,029	407,782
Borrowings - project development notes issue 2 (iii)	1,118,836	-
	2,086,865	407,782

(i) Borrowings - related party

Advances by director related entities are interest free other than a balance of \$144,000 which has an interest rate of 8.25% (refer Note 19). All balances are unsecured and repayable on demand.

(ii) Project Development Notes Issue 1

During the financial year the Company received a further \$1,583,500 from the unsecured Project Development Note facility that had been established in the year ended 30 June 2016 (PDN1). This further amount brought the total drawn to \$1,977,000.

A balance drawn but not yet received of \$251,000 was outstanding at the end of the financial year.

The facility was provided by private financiers (Financiers) and, once the final amount owing is received, is fully drawn to its committed limit of \$2,228,000. Interest is payable quarterly at the rate of 8.0% per annum.

Any PDN1 borrowing not repaid by the exercise of the attaching option and application of the exercise price to the repayment (refer below) is required to be repaid either at the end of 3 years from the date of draw down of each advance, or in repayments equal to 50% of the Company's positive pre-tax cash from operations (each quarter) until balance owed under the PDN1s and any outstanding interest is repaid in full.

The Company's financial forecast projects that during the next financial year it will achieve a positive operating cash flow. As at the end of the current financial year an amount of \$740,000 (2016: nil) is shown as a current liability, being 50% of the forecast operating cash flow for the next financial year. In the event that the Company's operating cash flow is lower or higher than forecast the amount that will be become due during the next financial year will be correspondingly lower or higher.

The Company issued 18,566,667 share options concurrently with the initial draw down under PDN1 to the Financiers. The share options provide Financiers with the right to subscribe for ordinary shares of the Company (PDN1 Options). As a result the net proceeds received from the issue of the PDN1s have been split between a liability and an equity component. The equity component represents the value of the option to convert the liability into equity of the Company.

The terms of the PDN1 Options are as follows:

- (i) Right to subscribe: The Financiers have the right to subscribe for one fully paid ordinary share of the Company for each share option held at an issue price of 12 cents each anytime after 31 March 2017 and until the expiry of the share options on 31 March 2021.
- (ii) Right of offset: At the election of the Financiers any amounts owed under the PDNs may be applied either in part or whole to the exercise price owed on issue of the ordinary shares.
- (iii) Number of ordinary shares to be issued: If all of the PDN1 Options are exercised a maximum of 18,566,667 fully paid ordinary shares of the Company would be issued.
- (iv) Right to acquire: Within 6 months prior to the expiry date of the PDN Options of 31 March 2021, the Company may seek to acquire the PDN1 Options from the Financiers at a volume weighted average price calculated for a 1 month period ending 3 days before the election notice is provided to the Financiers.

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Notes to the Financial Statements (continued)

For the year ended 30 June 2017

- (v) Cancellation of options: If a Financier fails to provide funding pursuant to the PDN1s any unexercised PDN1 Options held by that Financier can be cancelled at the election of the Company.

(iii) Project Development Notes - Issue 2

During the financial year a further facility was established, Project Development Note facility (PDN2). PDN2 is provided by a private financier (PDN2 Financier) and has a committed limit of \$1,540,000 was fully drawn during the financial year. Interest is payable quarterly at the rate of 8.0% per annum.

Any PDN2s not repaid by exercise of the attached option and application of the exercise price to repayment (refer below) are repaid either at the end of 3 years from the date of draw down of each advance, or subsequent to repayment of amounts owed under PDN1 in repayments equal to 50% of the Company's positive pre-tax cash from operations (each quarter) until balance owed under the PDN2 and any outstanding interest is repaid in full.

The Company issued 11,000,000 share options concurrently with the PDN2 to the PDN2 Financier whereby the PDN2 Financier has the right to subscribe for ordinary shares of the Company (PDN2 Options). As a result the net proceeds received from the issue of the PDN2 have been split between a liability and an equity component. The equity component represents the value of the option to convert the liability into equity of the Company.

The terms of the PDN2 Options are as follows:

- (i) Right to subscribe: The PDN2 Financier has the right to subscribe for one fully paid ordinary share of the Company for each share option held at an issue price of 14 cents each anytime from 30 November 2017 and until the expiry of the share options on 30 November 2021.
- (ii) Right of offset: At the election of the PDN2 Financier any amounts owed under the PDN2s may be applied either in part or whole to the exercise price owed on issue of the ordinary shares.
- (iii) Number of ordinary shares to be issued: If all of the PDN2 Options are exercised a maximum of 11,000,000 fully paid ordinary shares of the Company would be issued.
- (iv) Right to acquire: Within 6 months prior to the expiry date of the PDN2 Options of 30 November 2021, the Company may seek to acquire the PDN2 Options from the PDN2 Financier at a volume weighted average price calculated for a 1 month period ending 3 days before the election notice is provided to the PDN2 Financier.
- (v) Cancellation of options: If the PDN2 Financier fails to provide funding pursuant to the PDN2s any unexercised PDN2 Options can be cancelled at the election of the Company.

12 Issued capital

	2017 \$	2016 \$
95,682,306 fully paid ordinary shares (2016: 95,682,306)	14,666,238	14,666,238

Movements in fully paid ordinary shares

	2017			2016		
	\$/share	Number	\$	\$/share	Number	\$
Balance at the beginning of the financial year		95,682,306	14,666,238		69,682,306	11,862,554
Placement of shares for cash on 2 June 2016		-	-	\$0.10	11,000,000	1,100,000
Placement of shares in consideration for acquisition - 26 May 2016 (i)		-	-	\$0.12	15,000,000	1,800,000
Transaction costs of issues (ii)		-	-			(96,317)
Balance at the end of the financial year		95,682,306	14,666,238		95,682,306	14,666,238

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For the year ended 30 June 2017

- (i) During the prior financial year 15,000,000 ordinary shares were issued as partial consideration for the acquisition of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited). These shares are subject to escrow for a 2-year period until 30 January 2018. 7,500,000 are subject to a performance condition relating to the Radio Gold mine (owned by Radio Gold Pty Limited) whereby a minimum net positive cash flow of \$1 million must be achieved within 24 months of commencing operations (refer Note 16). If this condition is not achieved then the Company has the right to repurchase the shares subject to the performance condition at a nominal sum.
- (ii) Equity component of interest paid on Project Development Notes.

13 Reserves

	2017	2016
	\$	\$
Share option reserve		
Balance at the beginning of the financial year	450,384	57,277
Share based payment	29,120	-
Issue of options to director (i)	-	232,815
Recognition of equity component on issue of project development notes, net of costs (ii)	898,769	160,292
Balance at the end of the financial year	<u>1,378,273</u>	<u>450,384</u>

- (i) Reserve arises on the issue of options in payment for services or fees. Further information on options issued is shown in Note 16 to the financial statements.
- (ii) Equity component on the issue of project development notes represents the equity component of the conversion rights as detailed in Note 11.

14 Asset backing and earnings per share

	2017	2016
	cents per share	cents per share
Basic and diluted earnings per share (continuing operations) (cents per share)	<u>(1.46)</u>	<u>(1.93)</u>
Basic and diluted assets per share (continuing operations) (cents per share)	<u>2.39</u>	<u>3.86</u>
The following reflects the income and share data used in the basic and diluted earnings per share calculations:		
	2017	2016
	\$	\$
Loss attributable to shareholders of the Company used in the calculation of basic and diluted earnings per share	<u>(1,394,379)</u>	<u>(1,386,127)</u>
Weighted average number of ordinary shares for basic earnings per share	95,682,306	71,958,262
Effect of dilution of share options on issue (i)	5,000,000	32,066,667
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>100,682,306</u>	<u>104,024,929</u>

- (i) Share options on issue that have been assessed as being dilutive for the purpose of calculating earnings per share have been excluded from the calculation of earnings per share as the Group has incurred a loss after tax. In that circumstance the inclusion of share options would reduce the earnings per share (loss) and present a misleading result.

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Notes to the Financial Statements (continued)
For the year ended 30 June 2017

15 Financial instruments

(a) Financial risk management objectives

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, convertible instruments and derivatives. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The directors consider that the limited risks mean there is no need to enter into risk management strategies involving derivative instruments.

The Group is exposed to credit risk, liquidity risk and interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The Group manages liquidity risk by a combination of maintaining cash reserves, banking facilities and continuously monitoring forecast and actual cash flows. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Risks are managed through sensitivity analysis to model the impact of changes upon the Group's profits.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of 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.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

(d) Categories of financial instruments

The following table details the carrying amounts and fair values of the Group's financial assets and financial liabilities. The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values.

	Note	2017	2016
		\$	\$
Financial assets			
Cash and cash equivalents	6	323,710	927,687
Trade and other receivables		298,156	13,047
		621,866	940,734

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Notes to the Financial Statements (continued)
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables		373,054	485,770
Borrowings - related party (i)	11	303,067	-
Liabilities measured at fair value - Level 3 (i)			
Borrowings - project development notes	11	2,826,865	407,782
		3,502,986	893,552

(i) Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 - fair value measurements are those derived from quoted sources (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative instruments is significantly affected by movements in interest rates. Sensitivity of the valuation of the derivative liabilities to changes in these factors is shown below at item (j).

(e) Credit risk exposures

Credit risk arises principally from the Group's receivables and cash and bank balances. Credit risk is kept continually under review and managed to reduce the incidence of material losses being incurred by the non-receipt of monies due. The Group's financial assets include trade and other receivables and loans to related entities.

The maximum exposure to credit risk on financial assets of the Group which has been recognised on the balance sheets is generally the carrying amount, net of any provisions for doubtful debts. The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. The Group's financial assets are limited to credit risk exposures to Australia on a geographical basis. Trade and other receivables that are neither past due nor impaired are limited to a few counterparties which are considered credit worthy.

2017	Interest rates	Contractual			
		repayment amount	6mths or less	6-12 mths	1-5 years
Cash and cash equivalents	2.0%	323,710	323,710	-	-
Receivables	na	298,156	298,156	-	-

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Notes to the Financial Statements (continued)
For the year ended 30 June 2017

2016		Contractual repayment amount	6mths or less	6-12 mths	1-5 years
Cash and cash equivalents	2.0%	927,687	927,687	-	-
Receivables	na	13,047	13,047	-	-

(f) Liquidity risk management

The board has put in place liquidity risk management policies for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a combination of:

- continuously monitoring forecast and actual cash flows;
- having in place loan facilities structured to grow as the size of the business increases; and
- arranging issues of securities as required.

To the extent possible maturity profiles of financial assets and liabilities are matched.

The board reviews the capital structure on a regular basis. The board does not have a set debt level target however the level of borrowings is in line with expectations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes principal and interest cash flows at the face value of the amount owing and therefore the figures differ from those shown in the financial statements.

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For the year ended 30 June 2017

2017	Interest rate	Contractual repayment amount	Less than 1 year	1-5 years
Trade payables		373,054	373,054	-
Borrowings - other (fixed rate)	8.00%	4,386,674	982,240	3,404,434
Borrowings - related parties (variable rate)	8.25%	309,007	309,007	-
		5,068,735	1,664,301	3,404,434
2016	Interest rate	Contractual repayment amount	Less than 1 year	1-5 years
Trade payables		485,770	485,770	-
Borrowings - fixed rate	8.00%	683,111	44,560	638,551
Borrowings - related variable rate	8.25%	414,130	-	414,130
		1,583,011	530,330	1,052,681

The table below reflects an undiscounted view of the contractual maturity for financial liabilities and cash flows expected to be realised from financial assets. Actual timing may differ from that disclosed. The timing of the cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Within 1 Year		1 to 5 Year		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Group financial liabilities due for payment						
Trade payables	373,054	485,770	-	-	373,054	485,770
Borrowings - fixed rate	982,240	44,560	3,404,434	638,551	4,386,674	683,111
Borrowings - related	309,007	-	-	414,130	309,007	414,130
Total contractual and expected outflows	1,664,301	530,330	3,404,434	1,052,681	5,068,734	1,583,011
Group financial assets - cash flows realisable						
Cash and cash	323,710	927,687	-	-	323,710	927,687
Receivables	298,156	13,047	-	-	298,156	13,047
Total anticipated inflows	621,866	940,734	-	-	621,866	940,734
Net outflow/(inflows)	1,042,435	(410,404)	3,404,434	1,052,681	4,446,869	642,277

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Notes to the Financial Statements (continued)
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(g) Interest rate risk

The Group has borrowed funds at fixed rate of interest and therefore currently has limited exposure to movements in interest rates.

(h) Foreign currency risk

At its current stage of development the Group is indirectly exposed to foreign currency risk, in respect of the market price for gold which is based in US dollars.

(i) Commodity price risk

At its current stage of development the Group is indirectly exposed to commodity price risk, in respect of the market price for gold.

(j) Sensitivity analysis of risk factors

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit		
- Increase in interest rate by 5%	928	414
- Decrease in interest rate by 5%	(324)	(435)
Change in equity		
- Increase in interest rate by 5%	324	(5,326)
- Decrease in interest rate by 5%	(324)	11,411

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16 Share-based payments

The Company has the following share options outstanding under share based plans:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the financial year	32,066,667	\$0.109	5,000,000	\$0.052
Granted during the financial year	11,000,000	\$0.140	27,066,667	\$0.120
Granted during the financial year	500,000	\$0.120		
Granted during the financial year	500,000	\$0.140		
Balance at the end of the financial year	44,066,667	\$0.117	32,066,667	\$0.109
Exercisable at the end of the financial year	32,066,667	\$0.109	5,000,000	\$0.063

No options expired or were exercised during the periods covered by the above tables.
Share options outstanding at the end of the year have the following expiry date and exercise prices

Class	Vesting Conditions	Grant date	Expiry date	Exercise price	Number of share options 2017	Number of share options 2016
Class A	na	22-12-14	31-12-17	\$0.05	2,000,000	2,000,000
Class B	na	22-12-14	31-12-18	\$0.05	2,000,000	2,000,000
Class C	VWAP > 7 cents	10-04-15	31-12-18	\$0.06	1,000,000	1,000,000
Class D	Referral of projects	09-11-15	31-12-19	\$0.12	1,000,000	1,000,000
Class E	na	22-04-16	31-03-21	\$0.12	18,566,667	18,566,667
Class F	na	20-06-16	31-03-21	\$0.12	5,000,000	5,000,000
Class G	Continuing service	20-06-16	31-03-21	\$0.12	2,500,000	2,500,000
Class H	na	06-12-16	30-11-21	\$0.14	11,000,000	
Class I	Continuing service	06-12-16	30-11-21	\$0.12	500,000	
Class J	Continuing service	06-12-16	31-03-21	\$0.14	500,000	
					44,066,667	32,066,667

Details of share options granted during the year:

	Class H (i)	Class I	Class J
Grant date	06-12-16	06-12-16	06-12-16
Expiry date	30-11-21	31-03-21	31-03-21
Exercisable from	30-11-17	06-12-17	06-12-17
Exercise price	\$0.14	\$0.12	\$0.14
Number of options issued	11,000,000	500,000	500,000
Fair value at grant date		15,258	13,862
Fair value at grant date per option		\$0.031	\$0.028
Vesting conditions	na	Continuing service	Continuing service

(i) Issue of share options pursuant to the Project Development Note Facility - Issue 2 (Note 11)

Resources & Energy Group Limited

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

The fair values of the share options granted during the financial year were determined using the following parameters:

		Class H (i)	Class I	Class J
Expected volatility of ordinary shares	%	50%-65%	50%-65%	50%-65%
Risk free interest rate	%	2.00%	2.00%	2.00%
Underlying share price at valuation date	\$/share	\$0.12	\$0.12	\$0.12
Weighted average life of option	years	5.0	4.3	4.3
Weighted average exercise price	\$/share	\$0.14	\$0.12	\$0.14
Valuation method		Black-scholes	Black-scholes	Black-scholes

Details of share options granted during the prior year:

	Class D (i)	Class E (ii)	Class F	Class G
Grant date	09-11-15	22-04-16	20-06-16	20-06-16
Expiry date	31-12-19	31-03-21	31-03-21	31-03-21
Exercisable from	09-11-15	31-03-17	31-03-17	31-03-17
Exercise price	\$0.12	\$0.12	\$0.12	\$0.12
Number of options issued	1,000,000	18,566,667	5,000,000	2,500,000
Fair value at grant date			155,210	77,605
Fair value at grant date per option			\$0.031	\$0.031
Vesting conditions	Referral of projects	na	na	Continuing service

(i) The share options are broken into three tranches of 500,000, 250,000 and 250,000. Each tranche is subject to holder proposing a different acquisition opportunity and arranging of meeting with potential vendors within 18 months of the date of issue. The Directors have determined that there is significant uncertainty as to whether the options will vest and therefore they have been valued at nil.

(ii) Issue of share options pursuant to the Project Development Note Facility (Note 11)

The fair values of the share options were determined using the following parameters:

		Class F	Class G
Expected volatility of ordinary shares	%	50%-65%	50%-65%
Risk free interest rate	%	2.12%	2.12%
Underlying share price at valuation date	\$/share	\$0.10	\$0.10
Weighted average life of option	years	4.8	4.8
Weighted average exercise price	\$/share	\$0.12	\$0.12
Valuation method		Black-scholes	Black-scholes

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

17 Contingent liabilities

	2017	2016
	\$	\$
Bank guarantees	120,000	100,000

Bank guarantees are issued on behalf of the Group by its bankers. The guarantees provide that the financier will honour the Group's obligations under specific agreements and are secured against monies held on deposit of \$120,000 (2016: \$100,000) (refer Note 7). No material losses are expected.

There are no other contingent liabilities as at 2017 (2016: nil)

18 Tenement lease commitments

	2017	2016
	\$	\$
<i>Minimum expenditure commitment on tenement leases</i>		
The Group held three exploration mineral licences in relation to the Mount Mackenzie Mine and three exploration mineral licence in relation to the Radio mine as at 30 June 2017.		
Committed but not provided for and payable:		
Within one year	815,281	824,281
One year or later and no later than for five years	1,410,619	1,428,619
	2,225,900	2,252,900

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

19 Key management personnel disclosures

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel consists of the directors of the Company and senior management of the Group as defined in the Remuneration Report section of the Directors' Report.

(a) Compensation of Key Management Personnel

The aggregate compensation made to key management personnel of the Group is set out below (i). The remuneration shown includes all amounts incurred for the year. Further details of the compensation of key management personnel is contained in the Directors' Report in the Remuneration Report section.

(i) Mr Kember was appointed on 8 August 2016 and his remuneration forms part of the fees charged by a director related entity, Proprietary & Fiduciary Services Pty Limited. Details of the nature of the engagement and the amount of fees charged are provided below.

	2017 \$	2016 \$
Short-term	322,000	160,133
Post employment	19,000	3,167
Share-based payment	-	232,815
	341,000	396,115

(b) Shareholdings

The number of ordinary shares in the Company held during the financial year by each director of the Company and senior management of the Group, including their personally related parties, are set out below.

2017	Balance at the start of the year	Granted as compensation	Net other change	Balance at the end of the year
Mr Gavin Rezos	250,000	-	-	250,000
Mr Richard Poole	12,742,729	-	1,324,573	14,067,302
Ms Virginia Bruce	50,000	-	-	50,000
Mr James Croser (i)	3,597,022	-	-	3,597,022
Mr Michael Hogg	-	-	-	-
Mr Warren Kember (ii)	-	-	-	-
2016	Balance at the start of the year	Granted as compensation	Net other change	Balance at the end of the year
Mr Gavin Rezos	-	-	250,000	250,000
Mr Richard Poole	8,885,600	-	3,857,129	12,742,729
Ms Virginia Bruce	50,000	-	-	50,000
Mr James Croser (i)	-	-	3,597,022	3,597,022
Mr Michael Hogg	-	-	-	-

Resources & Energy Group Limited

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(i) 3,597,022 ordinary shares were issued to Mr Croser pursuant to the acquisition of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited). Of these ordinary shares, 1,798,511 are subject to a performance condition as set out in Note 12.

(ii) Appointed 8 August 2016

(b) Share option holdings

The number of share options in the Company held during the financial year by each director of the Company and senior management of the Group, including their personally related parties, are set out below.

Details of share options granted during the year are provided at Note 16

2017	Balance at the start of the year	Granted as compensation	Granted on subscription to loan	Net other change	Balance at the end of the year
Mr Gavin Rezos	7,500,000	-	-	-	7,500,000
Mr Richard Poole	6,250,000	-	-	-	6,250,000
Ms Virginia Bruce	-	-	-	-	-
Mr James Croser	-	-	-	-	-
Mr Michael Hogg	-	-	-	-	-
Mr Warren Kember (i)	-	-	-	-	-

(i) Appointed 8 August 2016

2016	Balance at the start of the year	Granted as compensation	Granted on subscription to loan	Net other change	Balance at the end of the year
Mr Gavin Rezos	-	7,500,000	-	-	7,500,000
Mr Richard Poole	-	-	6,250,000	-	6,250,000
Ms Virginia Bruce	-	-	-	-	-
Mr James Croser	-	-	-	-	-
Mr Michael Hogg	-	-	-	-	-

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

(c) Other transactions with key management personnel

Richard Poole

Transactions with, or with persons or entities associated with, Mr Richard Poole, a director and the chief executive officer of the Company, during the financial year were as follows:

The Company has provided a Corporate Advisory and Business Development Mandate (Agreement) to Proprietary & Fiduciary Services Pty Limited (formerly Arthur Phillip Pty Limited, PFS), an entity ultimately controlled by interests associated with Mr Poole. The Agreement provides for the payment of fees for the raising of debt or equity capital and the charging of costs associated with the administration of the Group. During the financial year PFS was entitled to the following fees and expenses:

- (i) provision of accounting, office administration, consulting and company secretarial services to the Company, amounting to \$272,520 (2016: \$101,800); and
- (ii) \$101,640 for the arranging of capital, including the issue of Project Development Notes #2 that raised \$1,540,000 (2016: \$170,698).

An amount of \$49,500 of these fees and expenses remained unpaid as at 2017 and is included in Trade and Other Payables.

A related party of Mr Richard Poole advanced \$144,000 to the Group in a prior year. The unsecured borrowing bears annual interest at 8.25% and an expense of \$11,880 (2016: \$11,880) (refer Note 4(c)) was incurred during the financial year.

A further \$158,365 was advanced in a prior year for working capital. During the financial year this balance was reduced by an amount of \$87,500 as an offset of the amounts due under a draw down of Project Development Notes (Note 11). Net of other adjustments of \$5,317 as at the end of the financial year a total of \$76,182 remained outstanding. The loan is interest free, unsecured and repayable on demand.

During the financial year a related party of Mr Richard Poole was required to advance \$475,000 to the Group pursuant to the Project Development Notes #1 (refer Note 11). An amount of \$387,500 was received by the Company and the balance of \$87,500 was offset against previous advances. The unsecured borrowing bears annual interest at 8.0% and an expense of \$29,152 (2016: \$1,808) was incurred during the financial year.

20 Related party disclosures

The consolidated financial statements include the financial statements of the Company and its controlled entities listed in the following table. The Company is the ultimate Australian parent entity and the ultimate parent of the Group.

Name	Country of incorporation	% Equity interest	
		2017	2016
Mount Mackenzie Pty Limited	Australia	100.00%	100.00%
Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited)	Australia	100.00%	100.00%
Resource & Energy Options Pty Limited	Australia	100.00%	na
Deep Energy Pty Limited	Australia	51.85%	51.85%

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

21 Parent entity financial information

(a) Summary financial information

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

	2017	2016
	\$	\$
Balance Sheet		
Current Assets	338,613	920,628
Total Assets	5,811,824	3,999,754
Current Liabilities	211,407	362,892
Total Liabilities	3,181,274	929,039
Net Assets	<u>2,630,550</u>	<u>3,070,715</u>
Shareholders' contributed equity	14,614,446	14,694,904
Reserves	1,158,088	449,453
Accumulated Losses	<u>(13,141,985)</u>	<u>(12,073,642)</u>
	<u>2,630,549</u>	<u>3,070,715</u>
Profit or Loss for the year		
Total comprehensive income/(loss) for the year	<u>(1,068,343)</u>	<u>(2,732,272)</u>

(b) Contingent Liabilities of the Parent

The Company did not have any contingent liabilities as at 30 June 2017 or in the prior financial year.

22 Auditors' remuneration

	2017	2016
	\$	\$
Fees charged by the auditor of the Company for auditing or reviewing the financial report	<u>52,000</u>	<u>52,000</u>

23 Dividend

No dividend has been declared or paid during the financial year or the prior period. The directors do not recommend the payment of a dividend for the year ended 30 June 2017.

24 Events after balance sheet date

There have been no significant events occurring after the balance date which may affect either the Company's operations, results of those operations or the Company's state of affairs.

Resources & Energy Group Limited Directors' Declaration

In accordance with a resolution of the directors of Resources & Energy Group Limited, the directors declare that:

- (a) The financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001, including compliance with International Financial Reporting Statements as issued by the International Accounting Standards Board as stated in Note 2 of the financial statements.
- (b) The Chief Executive Officer has declared that:
 - (i) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view.
- (c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Mr Gavin Rezos
Chairman

Sydney, 28 September 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF RESOURCES & ENERGY GROUP LIMITED**

As lead auditor of Resources & Energy Group Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

LNP Audit and Assurance



Robert Nielson

Director

Sydney 28 September 2017

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF RESOURCES AND ENERGY GROUP LIMITED

Opinion

We have audited the financial report of Resources and Energy Group Limited, including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

In our opinion:

the accompanying financial report of Resources and Energy Group Limited is in accordance with the Corporations Act 2001, including:

- a) Giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 2(b) in the financial report which indicates that the Group incurred a loss after tax of \$1,415,567 during the year ended 30 June 2017 and, as at that date, the Group's current liabilities exceeded its current assets by \$705,510. As stated in Note 2(b) these events or conditions, along with other matters set out in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that maybe necessary should the Group not continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
<p><i>Mine Exploration and Development costs</i></p> <p>The balance sheet of the group includes mine exploration and development exploration expenditure of \$4,614,295. The assessment of the recoverability and lack of impairment of exploration assets incorporates significant judgement in respect of factors such as strategy to recover them, future production prospects and levels, commodity prices, operating and capital availability and costs and economic assumptions such as discount, inflation, and foreign exchange rates.</p> <p>No impairment indicators were noted for mine assets during the current year. All exploration expenditure relating to Deep Energy was fully impaired in the previous financial year upon relinquishment of the geothermal license.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Testing the design and operation of internal controls over valuation of these assets including those to determine any impairments; • Evaluating the Group’s assumptions and estimates used to determine the recoverable amount of assets, including those relating to method of recovery, production, cost, capital expenditure, discount rates and foreign exchange rates; • Validating the mathematical accuracy of cashflow models and agreeing relevant data to underlying information and assumptions; and • Assessing the adequacy of the Group’s disclosures in respect of asset carrying values and impairment testing.
<p><i>Estimation of Minerals and Ore Reserves</i></p> <p>Estimation of mineral resource and ore reserves is determined in accordance with the JORC code by a competent person. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. These estimations can have a material effect on the financial report such as :</p> <ol style="list-style-type: none"> a) Classification of assets into exploration and evaluation, or development and production; b) Testing fair value of asset for impairment; c) Estimating the useful life or units of production to determine the appropriate amortisation charge; and d) Calculation of restoration/ rehabilitation provision 	<p>Our procedures were in accordance with <i>ASA 620 Using the Work of an Auditors Expert</i>, and included;</p> <ul style="list-style-type: none"> • We assessed the competency and objectivity of management expert (both internal and external experts) in the estimation process; • Evaluated the adequacy of the work; • Understood the process and controls surrounding the estimation process; and • We considered whether recognition of a provision for mine rehabilitation at balance date was required.

Key Audit Matter	How our audit addressed the matter
<p>Share Based Payments</p> <p>The Group rewards management and directors with share option rights for their service. AASB2 Share Based Payments requires the options to be fair valued and recognised over the vesting period.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Obtaining the board minutes meeting to verify that adequate shareholders and board approval have been obtained for • Reviewing the option rights valuation to ensure that the valuation technique used is a generally accepted valuation methodology and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

LNP Audit and Assurance

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Resources and Energy Group Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Nielson.

LNP Audit and Assurance



Robert Nielson

Director

Sydney

Date 28 September 2017

Resources & Energy Group Limited

Security Holders' Information

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Ltd. The information provided is current as of 20 September 2017.

1. Ordinary share holders

(a) Top 20 shareholders

The names of the 20 largest holders of ordinary shares as shown in the Company's share register are listed below.

Name	Number of Shares	% of Issued Shares
Arthur Phillip Nominees Pty Ltd	19,897,086	20.8%
J P Morgan Nominees Australia Limited	8,750,000	9.1%
HSBC Custody Nominees (Australia) Limited	5,640,000	5.9%
Sanjur Pty Ltd	3,988,802	4.2%
Gaffwick Pty Limited	3,833,334	4.0%
Mr Paul Healey	3,000,000	3.1%
Riverbend Investments Pty Ltd	2,583,334	2.7%
Netwealth Investments Limited	2,500,000	2.6%
Mac Drill Pty Ltd	2,500,000	2.6%
Hestian Pty Ltd	2,500,000	2.6%
Merrill Lynch (Australia) Nominees Pty Limited	2,049,000	2.1%
Haxby Pty Ltd <Poole Super Fund A/C>	1,330,600	1.4%
Mr John Mcguigan & Mrs Rondel Mcguigan <Kirkoswald Super Fund A/C>	1,250,000	1.3%
Mr John Atkinson & Ms Susan Hanrahan <Hanrahan S/Fund A/C>	1,250,000	1.3%
Larca Pty Limited	1,166,666	1.2%
Minerva Geological Services Pty Limited	1,000,000	1.0%
Jamstep Holdings Pty Limited	1,000,000	1.0%
Karl Page Investments Pty Limited	978,437	1.0%
Mrs Dimity Ruth Griffiths	800,000	0.8%
ACN 070053708 Pty Limited	750,000	0.8%
Total top 20 holders	66,767,259	69.8%
Other holders	28,915,047	30.2%
Total ordinary shares on issue	95,682,306	100.0%

(b) Shareholder analysis

An analysis of the numbers of ordinary share holders by size of holding is shown below

Size of holding range	Number of holders	Percentage of holders
1 - 1,000	6	1.5%
1,001 - 5,000	145	37.3%
5,001 - 10,000	67	17.2%
10,001 - 100,000	112	28.8%
100,001 and Over	59	15.2%
	<u>389</u>	<u>100.0%</u>

There were 128 shareholders that held less than a marketable parcel of ordinary shares.

Resources & Energy Group Limited Security Holders' Information

(c) Substantial shareholders

Holders of more than 5% of the ordinary shares who have lodged substantial shareholder notices are listed below.

Name of shareholder	Ordinary shares held	Percentage of total ordinary shares on issue
Richard Poole, refer Note 19	14,067,302	14.70%
Terra Capital Pty Limited	8,750,000	9.14%
Gaffwick Pty Limited	7,333,334	7.66%
John McGuigan	5,278,644	5.52%

(d) Ordinary shares subject to restrictions

Escrow period	Ordinary shares held	Percentage of total ordinary shares on issue
Ordinary shares subject to escrow until 31 January 2018 (Note 12)	15,000,000	15.68%

(c) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(d) Share buyback

There were no share buybacks during the 12 months to 30 June 2017 or subsequently.

2 Share options

The names of holders of more than 20% of each class of unlisted share options are shown below. Share options do not have voting rights until converted into ordinary shares.

Class	Name of holder	Share options issued	Percentage held of each class
A	Minerva Geological Services Pty Limited	1,000,000	50.0%
A	Jamstep Holdings Pty Limited	1,000,000	50.0%
B	Wilshire Capital Partners Pty Limited	2,000,000	100.0%
C	JP Morgan Nominees Australia Limited	1,000,000	100.0%
D	Moutier Pty Limited	1,000,000	100.0%
E	Fontelina Pty Limited	6,250,000	33.7%
	Gaffwick Pty Limited	4,200,000	22.6%
	Vantage House Limited	4,166,667	22.4%
	Others	3,950,000	21.3%
F	Vivien Enterprises Pte Ltd	5,000,000	100.0%
G	Vivien Enterprises Pte Ltd	2,500,000	100.0%
H	Gaffwick Pty Limited	11,000,000	100.0%
I	Employee options	500,000	100.0%
J	Employee options	500,000	100.0%
Total share options on issue per Note 16 of the Financial Report		44,066,667	