

31 January 2018

Market Announcements Office
ASX Limited

ACTIVITIES REPORT & QUARTERLY CASH FLOW QUARTER ENDED 31 DECEMBER 2017

During the December 2017 quarter Resources & Energy Group Limited (**ASX: REZ or the Company**) continued to undertake the development of the Radio Project located in Western Australia and evaluate the Mount Mackenzie Project in Central Queensland.

Radio Mine Project

Radio Gold Mine has continued Stage 2 of the bulk sampling operation as outlined into Western Australian Department of Mines Industry Resources & Safety (**DMIRS**) Project Management Plan. The establishment of the mine infrastructure and development of mining areas to support the bulk sampling have been the focus of activities in the quarter.



Arial view of the Radio Gold site

Mining

Development mining and the breakthrough has been completed from the 9A & 9B Level crosscuts and the scraper drive has been setup for haulage. A rock development up-dip has commenced in this area to further define the first bulk sampling block in preparation for stoping once the second means of egress has been established.



Additional ore drives are concurrently being developed on the 9 Level Main Lode South (9 MLS), 10 Level Main lode South (10 MLS) and the 9 East Lode South Lode (9 ELS). These ore drives expand the mining footprint and further delineate the resource potential to the south of the existing workings allowing for additional bulk sampling locations.

Haulage

The chute and rail haulage system continued to be refined to allow for production of ore from multiple areas in the mine. Mined material from the 9 ELN & 9 ELS ore is transported in a skip via the chute to the 10 Level Platform. Mined material from the 10 MLS and 9 MLS is handled by the 12B Loader via an ore cart on the 10 Level platform into the skip. All material is transported to the surface from the 10 Level platform via the hoist located on the surface.

Infrastructure was installed underground including an electrical distribution board for the setup of underground mine dewatering pumps and ventilation fans. Rehabilitation and the development of the second means of egress also progressed in the quarter.

Safety

No reportable incidents or accidents occurred during the quarter. The Company maintains its strong focus on safe operation.



Geology

Work has continued with rock type classification and sampling of the orebody zones, East Lode and Main Lode. This information has been gathered to further understand the characteristics of the mineralisation along the Radio shear zone and to assist in the development of the Radio Mine geological interpretation, including future resource modelling.

Processing

At the end of the quarter approximately 860 tonnes of broken rock is on the Radio “run of mine” in preparation for the second processing of Radio Gold ore since activities commenced.

This material comprises of 780 tonnes of development rock and the remainder of underground clean-up material removed from the old workings in the course of the mine access & rehabilitation. Milling options have been drafted with a number of process plants in the region and are nearing completion. Early ore from bulk sampling will be treated offsite initially to generate capital to fund continued activities onsite.

Material processed off site during the quarter, which was largely material extracted as part of clearing mine areas, resulted in a recovery of 35 ounces of gold at a grade of approximately 2.9 grams/tonne. Revenue of \$58,530 was recorded.



Mt Mackenzie Project

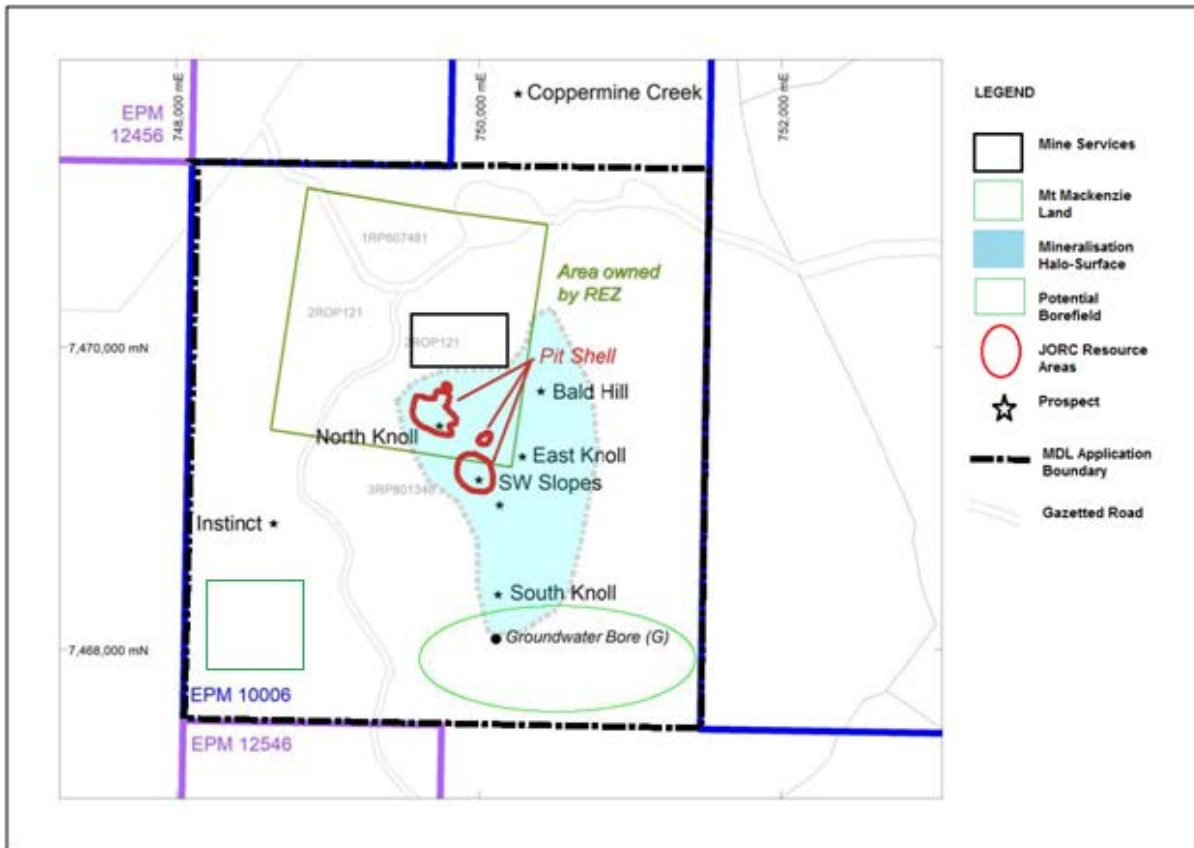
During the report period an application for a Mineral Development Licence (MDL) was lodged over the southern part of EPM 10006. The application embraces an area of approximately 12km² and encompasses the existing Gold and Silver resource areas associated with the Mount Mackenzie Mineral Resource.

The Mount Mackenzie Mineral resource presently comprises a JORC 2012 resource as previously reported:

Total Indicated: 49,000 oz of Gold, and 455,000 oz of Silver
Total Inferred: 51,000 oz of Gold and 179,000 oz of Silver

The MDL application captures all satellite prospects, which occupy highly prospective ground within a 2km radius of the Mount Mackenzie Mineral Resource including Bald Hill, East Knoll, South Knoll and Instinct.

The location of the MDL application area is shown in the diagram below.



As part of the MDL process, an application to renew the northern part of EPM10006 was also lodged. A renewal of the northern part of EPM 10006 is being sought to enable exploration at the Clive Creek prospect, which includes two areas of anomalous gold and base metals mineralization known as “Quinine Gully” and the “Sphinx” to continue.

The Clive Creek prospects are strategically important to the company as a potential satellite resource which would add value to the overall commercial viability of the Mount Mackenzie Project.

The grant of MDL status over the area sought by the company will remove the project from any further compulsory relinquishments which normally attach to a Mineral Exploration Permit in Queensland. This will also provide for renewed title over the Clive Creek prospect area without involving any further surrender of exploration ground in the near term.

The results from metallurgical studies completed on primary ore samples in October 2017 have also been evaluated. The results suggest that producing a float concentrate from primary ore then ultrafine grinding the concentrate would extract maximum value for the project. Gravity pre-concentration prior to flotation has been identified and recommended though this process route has not been tested as yet.

Other

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

Tenement Schedule

State	Project	Number	Status	REZ beneficial ownership	Expiry
Queensland	Mt Mackenzie	EPM10006	Live	100%	28/03/2018
	Mt Mackenzie	EPM12546	Live	100%	28/01/2018
	Mt Mackenzie	EMP17515	Live	100%	Being renewed
Western Australia	Radio	ML77/633	Live	100%	24/08/2036

For further information please contact:

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About Resources & Energy

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

Competent Persons Statement and Consent

The information in this report that relates to Exploration Results is based on and fairly represents information compiled by Mr. Michael Johnstone who is a member of the Australasian Institute of Mining and Metallurgy, and Principal Consultants for Minerva Geological Services (MGS). MGS has been contracted by Resources and Energy Group to provide Exploration Management and technical advice to the company. Mr Johnstone has sufficient 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 Johnstone consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

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

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(38)	(70)
(b) development		-
(c) production	(224)	(362)
(d) staff costs	(318)	(543)
(e) administration and corporate costs	(60)	(120)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(7)	(7)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(647)	(1,102)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(44)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets	(88)	(88)

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other – deposits returned	100	100
2.6 Net cash from / (used in) investing activities	5	(32)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings	921	1,095
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	921	1,095
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5	323
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(647)	(1,102)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	5	(32)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	921	1,095

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	284	284

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	284	5
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	284	5

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

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

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
Project Development Note – issue 1	2,228	2,207
Project Development Note – issue 2	2,540	2,290
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Project Development Note – issue 1
 Lenders: Wholesale investors
 Interest rate: 8.0% per annum
 Security: Unsecured

Project Development Note – issue 2
 Lenders: Wholesale investor
 Interest rate: 8.0% per annum
 Security: Unsecured

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	30
9.2	Development	-
9.3	Production	220
9.4	Staff costs	320
9.5	Administration and corporate costs	60
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	630

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

Compliance statement

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



Sign here:

Date: 31 January 2018

Print name: Warren Kember
Company Secretary

Notes

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