Resource Generation Limited
Registration number ACN 059 950 337
(Incorporated and registered in Australia)
ISIN: AU000000RES1
Share Code on the ASX: RES
Share Code on the JSE: RSG
("Resgen" or the "Company")

ASX/JSE Release
Resource Generation Limited today released its audited consolidated financial statements for the year ended 30 June 2019.

The financial statements were approved by the Board of Directors and signed by Lulamile Xate (Chairman). The Directors take full responsibility for the preparation of the annual report and that the financial information has been correctly extracted from the underlying annual financial statements. This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by BDO Audit Pty Ltd and their audit opinion is available for inspection at the Company's registered office.

Auditors' report includes the following emphasis of matter paragraph:

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a net loss of $6.0 million (2018: $10.3 million) and used net cash in operating activities of $5.8 million (2017: $5.8 million) during the year ended 30 June 2019. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The full set of financial statements are available on Resource Generations Limited's website. www.resgen.com.au

Any forward looking statements have not been reviewed nor audited by the Company's external auditors.

Extracts from the financial statements for the year ended 30 June 2019 may be found below.

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Johannesburg
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JSE Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited

Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa's Waterberg region. The Waterberg accounts for around 40% of the country's currently known coal resources. The Coal Resources and Coal

Reserves for the Boikarabelo Coal Mine, held through the operating subsidiary Ledjadja Coal, were recently updated based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (SENS announcement dated 23 January 2017).

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Consolidated	
	2019	2018
	$'000	$'000
Revenue from continuing operations	140	218
Other	80	333
	220	551
Administration, rent and corporate	(2,914)	(3,211)
Depreciation of property plant and equipment	(258)	(380)
Employees benefits expense	(1,868)	(2,467)
Finance expenses	(594)	(1,627)
Share based compensation	503	(202)
Foreign exchange movements	(1,132)	(3,006)
Loss before income tax	(6,043)	(10,342)
Income tax expense	-	1
Loss from continuing operations	(6,043)	(10,342)
Loss for the year	(6,043)	(10,342)

Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit and loss when specific conditions are met		
Exchange differences on translation of foreign operations	1,586	(1,854)
Total comprehensive (loss)/income	(4,457)	(12,196)
Loss is attributable to:		
Owners of Resource Generation Limited	(6,043)	(10,342)
Total comprehensive (loss)/income for the year is attributable to:		
Owners of Resource Generation Limited	(4,457)	(12,196)
Headline loss	(6,043)	(10,342)
Earnings per share (EPS) (cents)	(1.0)	(1.8)
Headline earnings per share (HEPS)(cents)	(1.0)	(1.8)

Consolidated statement of financial position

As at 30 June 2019

	Consolidated	
	2019	2018
	$'000	$'000
Current assets		
Cash and cash equivalents	1,474	1,729
Trade and other receivables	56	82
Deposits and prepayments	175	168
	1,705	1,979
Non-current assets		
Property, plant and equipment	30,245	29,563
Mining tenements and mining development	174,602	159,089
Deposits and loan receivables	1,277	1,207
	206,124	189,859
TOTAL ASSETS	207,829	191,838
Current liabilities		
Trade and other payables	4,226	6,302
Provisions	207	563
Borrowings	20,964	19,660
	25,397	26,525

Non-current liabilities		
Provisions	2,418	2,150
Borrowings	66,251	44,420
Royalties payable	1,625	1,645
	70,294	48,215
TOTAL LIABILITIES	95,691	74,740
NET ASSETS	112,138	117,098
Equity		
Contributed equity	223,622	223,622
Reserves	(37,520)	(38,603)
Accumulated losses	(73,964)	(67,921)
TOTAL EQUITY	112,138	117,098

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Contri-buted equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	223,622	(36,910)	(52,189)	134,523
Adjustments	-	-	(5,390)	(5,390)
Balance at 1 July 2019 (*restated)	-	-	(57,579)	129,133
Loss for the year	-	-	(10,342)	(10,342)
Other comprehensive income for the year - exchange differences on translation of foreign operations	-	(1,854)	-	(1,854)
Total comprehensive income/(loss) for the year	-	(1,854)	(10,342)	(12,196)
Transactions with owners in their capacity as owners:				
Treasury sares to be issued to an employee	-	(42)	-	(42)
Employee share plan - value of employee services	-	116	-	116

Employee share plan - value of employee services	-	87	-	87
	-	161	-	161
Balance at 30 June 2018 (*restated)	223,622	(38,603)	(67,921)	117,098
Loss for the year	-	-	(6,043)	(6,043)
Other comprehensive loss for the year – exchange differences on translation of foreign operations	-	1,586	-	1,586
Total comprehensive loss for the year	-	1,586	(6,043)	(4,457)
Transactions with owners in their capacity as owners				
Employee share plan value of employee services	-	(503)	-	(503)
	-	(503)	-	(503)
Balance at 30 June 2019	223,622	(37,520)	(73,964)	112,138

Consolidated statement of cash flows

For the year ended 30 June 2019

	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities		
Payments to suppliers and employees	(5,939)	(6,054)
Interest received	140	218
Finance costs	(34)	(5)
Net cash outflow from operating activities	(5,833)	(5,841)
Cash flows from investing activities		
Payments for land, property, plant and equipment	(2)	(6)
Refunds of government charges associated with land acquisition	-	-
Payments for acquisition of non-controlling interest	-	-

Net payments for mining related licence deposits	-	-
Payments for mining tenements and mining development	(5,599)	(5,050)
Net cash outflow from investing activities	(5,601)	(5,056)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Equity raising costs	-	-
Repayment of borrowings	(2,240)	(2,501)
Forfeited share deposit	-	-
Drawdown from loan	13,371	10,471
Net cash inflow from financing activities	11,131	7,970
Net (decrease)/increase in cash and cash equivalents	(303)	(2,927)
Cash and cash equivalents at the beginning of the year	1,729	4,682
Effects of exchange rate movements on cash and cash equivalents	48	(26)
Cash and cash equivalents at the end of the year	1,474	1,729

1. Basis of preparation

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

The financial report of Resource Generation Limited also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3. Critical accounting estimates and judgements

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

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

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's financial report for the year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Capitalisation of Mining Tenements and Mining Development expenditure

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

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

Development expenditure on the Boikarabelo Coal Mine has been fully capitalised as per note 11. The Group is confident of the full recovery of the expenditure on the Boikarabelo Coal Mine on the basis of the financial modelling of the mine incorporating forecast production, sales levels and capital expenditure. This model is updated regularly and used to assess whether an impairment provision is required. Based on the current critical estimates and judgements, the Directors do not believe that an impairment provision is required.

As at 30 June 2019 the carrying value of the capitalised Mining Tenements and Mining Development Expenditure is $174.6m (2018: $159.1m) as disclosed in note 11. In the current year $11.3m of development expenditure has been capitalised.

Management has exercised judgment in determining whether development expenditure incurred meets the criteria for capitalisation, including:

1. Assessing whether costs are directly attributable to bringing the mine to the location and condition necessary for operating as intended; and
2. Assessing whether it is probable that the expenditure will result in future economic benefits, including an assessment of the availability of adequate funding for development and exploitation of the asset or alternatively, the ability to sell the asset.

Impairment of Property, Plant and Equipment and Mining Tenements and Mining Development expenditure

As at 30 June 2019 the carrying value of Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure is $30.2m (2018: $29.7m) and $174.6m (2018: $159.1m) respectively, as disclosed in notes 10 and 11.

Management has exercised judgment in determining whether indicators of impairment exist for Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure. Indicators were identified during the current period and the model was updated, including:

1. Future cash flows for Cash Generating Units ('CGU'), which include estimates of future coal prices, operating and capital costs and foreign exchange rates; and
2. Discount rates.

The financial model is sensitive to three principle assumptions being the export coal price, the discount rate and the USD/ZAR fx rate. These assumptions were varied in isolation to determine at what value would these need to be changed to in order for the recoverable amount to equal the carrying amount. These results are disclosed in note 11.

4. Segment information

4.1 Description of operating segments

Management has determined the segments based upon reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both a business and geographic perspective, with the Board being the chief operating decision maker.

Business segments
The Group has coal interests in South Africa. The main priority is to develop its Coal Resources in the Waterberg region of South Africa. Management has determined that there is one operating segment, being mining tenements and mining development. Unallocated corporate administration reflects other corporate administration costs.

4.2 Segment revenue and results

	Segment Revenue		Segment Loss	
	Year Ended 30/6/19 $'000	Year Ended 30/6/18 $'000	Year Ended 30/6/19 $'000	Year Ended 30/6/18 $'000
Mining Tenements And mining Development	220	447	(11,501)	(8,987)
Corporate – Unallocated	-	104	67	(1,355)
Total for Continued				

Operations	220	551	(11,434)	(10,342)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. The mining tenements and mining development segment loss represents the loss incurred by that segment without allocation of central administration costs and salaries, gains and losses, finance costs and income tax expense, all of which are included in the corporate segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4.3 Segment asset and liabilities

	2019 $'000	2018 $'000
Segment assets		
Mining tenements and mining development	207,693	191,614
Corporate – unallocated	135	224
	207,828	191,838
Segment liabilities		
Mining tenements and mining development	95,431	74,416
Corporate – unallocated	157	324
	95,588	74,740

4.4 Other segment information – property, plant and equipment

	Depreciation and amortisation		Additions	
	Year ended 30/6/19 $'000	Year ended 30/0/6/18 $'000	Year ended 30/6/19 $'000	Year ended 30/6/18 $'000
Property, plant and equipment	258	365	-	6
Corporate – unallocated	-	15	2	-
Total	258	380	2	6

4.5 Other segment information – mining assets

	Additions to mining assets	
	Year ended 30/6/19	Year ended 30/6/18
Mining tenements and Mining development	11,326	10,260
Corporate – unallocated	-	-
	11,326	10,260

4.6 Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 30/6/19 $'000	Year ended 30/6/18 $'000	Year ended 30/6/19 $'000	Year ended 30/6/18 $'000
Australia	-	104	-	-
South Africa	220	447	206,124	189,589
	220	551	206,124	189,589

5 Events occurring after the reporting period

The Company is in negotiations with Noble Resources International Pte Ltd for an extension on the Sixth Deed of Amendment and Restatement of the Facility Agreement for Noble to make additional funds of up to $3.5 million (US$2.5 million) to the Company's subsidiary, Ledjadja Coal Proprietary Limited to fund operations until Financial Close is achieved in February 2020.

The additional funds are to be made on the same terms as the Sixth Deed of Amendment and Restatement to the Facility Agreement and can be drawn in monthly tranches over the period to 28 February 2020. The date of commencement of loan repayments will also be deferred from September 2019 to February 2020.

There are no other events that have occurred subsequent to the end of the financial year that have significantly affected or may significantly affect:

(i) The Group's operations in future financial years, or
(ii) The results of those operations in future financial years, or
(iii) The Group's state of affairs in future financial years.

6 Dividends

No dividends were paid or proposed to be paid to members during the financial year (2018: nil).