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 2020.

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 $21.6 million (2019: $6.0 million) and used net cash in operating activities of $2.7 million (2019: $5.8 million) during the year ended 30 June 2020. 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 2020 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 2020

	Consolidated	
	2020	2019
	$'000	$'000
Revenue from continuing operations	96	140
Other	174	80
	270	220
Administration, rent and corporate	(3,441)	(2,914)
Depreciation of property plant and equipment	(113)	(258)
Employees benefits expense	(1,354)	(1,868)
Finance expenses	(2,836)	(594)
Share based compensation	36	503
Foreign exchange movements	(14,149)	(1,132)
Loss before income tax	(21,587)	(6,043)
Income tax expense	-	-
Loss from continuing operations	(21,587)	(6,043)
Loss for the year	(21,587)	(6,043)

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	2,197	1,586
Total comprehensive (loss)/income	(19,390)	(4,457)
Loss is attributable to:		
Owners of Resource Generation Limited	(21,587)	(6,043)
Total comprehensive (loss)/income for the year is attributable to:		
Owners of Resource Generation Limited	(19,390)	(4,457)
Headline loss	(21,587)	(6,043)
Earnings per share (EPS) (cents)	(3.7)	(1.0)
Headline earnings per share (HEPS)(cents)	(3.7)	(1.0)

Consolidated statement of financial position

As at 30 June 2020

	Consolidated	
	2020	2019
	$'000	$'000
Current assets		
Cash and cash equivalents	323	1,474
Trade and other receivables	161	56
Deposits and prepayments	149	175
	633	1,705
Non-current assets		
Property, plant and equipment	24,973	30,245
Mining tenements and mining development	179,255	172,970
Deposits and loan receivables	1,038	1,277
Restricted cash	1,599	1,632
	206,865	206,124
TOTAL ASSETS	207,498	207,829

Current liabilities

Trade and other payables	6,101	4,226
Provisions	254	207
Borrowings	26,748	20,964
	33,103	25,397
Non-current liabilities		
Provisions	2,126	2,418
Borrowings	78,156	66,251
Royalties payable	1,401	1,625
	81,683	70,294
TOTAL LIABILITIES	114,786	95,691
NET ASSETS	92,712	112,138
Equity		
Contributed equity	223,622	223,622
Reserves	(35,359)	(37,520)
Accumulated losses	(95,551)	(73,964)
TOTAL EQUITY	92,712	112,138

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Contri-buted equity	Reserves	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 July 2018	223,622	(38,603)	(67,921)	117,098
Loss for the year	-	-	(6,043)	(6,043)
Other comprehensive income for the year - exchange differences on translation of foreign operations	-	(1,586)	-	(1,586)
Employee share plan		(503)		(503)
Balance at 30 June 2019	223,622	(37,520)	(73,964)	112,138
Loss for the year	-	-	(21,587)	(21,587)
Other comprehensive loss for the year – exchange differences on translation of foreign operations	-	2,197	-	2,197
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	-	(36)	-	(36)
Balance at 30 June 2020	223,622	(35,359)	(95,551)	92,712

Consolidated statement of cash flows

For the year ended 30 June 2020

	Consolidated	
	2020	2019
	$'000	$'000
Cash flows from operating activities		
Payments to suppliers and employees	(2,831)	(5,939)
Interest received	96	140
Finance costs	(5)	(34)
Net cash outflow from operating activities	(2,740)	(5,833)
Cash flows from investing activities		
Payments for land, property, plant and equipment	(50)	(2)
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	(4,061)	(5,599)
Net cash outflow from investing activities	(4,111)	(5,601)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Equity raising costs	-	-
Repayment of borrowings	(520)	(2,240)
Forfeited share deposit	-	-
Drawdown from loan	6,452	13,371
Net cash inflow from financing activities	5,932	11,131
Net (decrease)/increase in cash and cash equivalents	(919)	(303)
Cash and cash equivalents at the beginning of the year	1,474	1,729
Effects of exchange rate movements on cash and cash equivalents	(232)	48
Cash and cash equivalents at the end of the year	323	1,474

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").

2. 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 2019. 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 2020 the carrying value of the capitalised Mining Tenements and Mining Development Expenditure is $179.3m (2019: $174.6m) as disclosed in note 11. In the current year $22.6m 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 2020 the carrying value of Property, Plant and Equipment and Mining Tenements and Mining Development Expenditure is $25.0m (2019: $30.2m) and $179.3m (2019: $174.6m) 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 30/6/20 $'000	Year Ended 30/6/19 $'000	Year Ended 30/6/20 $'000	Year Ended 30/6/19 $'000
Mining Tenements And mining Development	265	220	(20,703)	(11,501)
Corporate – Unallocated	5	-	(687)	67
Total for Continued Operations	270	220	(21,390)	(11,434)

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

	2020 $'000	2019 $'000
Segment assets		
Mining tenements and mining development	207,468	207,693
Corporate – unallocated	30	135
	207,498	207,828
Segment liabilities		
Mining tenements and mining development	114,481	95,431
Corporate – unallocated	303	157
	114,784	95,588

4.4 Other segment information – property, plant and equipment

	Depreciation and amortisation		Additions	
	Year ended 30/6/20 $'000	Year ended 30/0/6/19 $'000	Year ended 30/6/20 $'000	Year ended 30/6/19 $'000
Property, plant and equipment	113	258	-	-
Corporate – unallocated	-	-	50	2
Total	113	258	50	2

4.5 Other segment information – mining assets

	Additions to mining assets	
	Year ended 30/6/20	Year ended 30/6/19
Mining tenements and Mining development	22,577	11,326
Corporate – unallocated	-	-
	22,577	11,326

4.6 Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 30/6/20 $'000	Year ended 30/6/19 $'000	Year ended 30/6/20 $'000	Year ended 30/6/19 $'000
Australia	5	-	-	-
South Africa	265	220	206,865	206,124
	270	220	206,865	206,124

5 Events occurring after the reporting period

The Company advised that a Deed of Amendment to the Common Terms Agreement for the Mine Funding Package extending the Long Stop Date for achieving Financial Close from 30 November 2020 to 31 July 2023 had been agreed in principle and was in the process of being executed. The extension was required to allow for preparation of final submissions to the Lenders' Credit Committees expected to be scheduled during November 2020. These submissions were to include support for the Company's requested waiver or deferral of certain Conditions Precedent to achieving Financial Close.

On 4 September 2020, the Company advised that Ledjadja Coal, the Borrower under the Mine Funding Package, had made significant progress with respect to satisfying the majority of the Conditions Precedent to Financial Close and had formally requested that:

1. Defer a limited number of Conditions Precedent to a date post Financial Close due to practical inability of satisfying the said Conditions Precedent before the end of September 2020; or
2. Consider proposed viable alternative solutions with respect to those Conditions Precedent, which could not be satisfied before Financial Close.

The Lender's Projects Team have responded to the formal requests detailed above and advised that they will not be approaching their Credit Committees until the following Conditions Precedent have been met:

1. Execution of a binding Ramp-up Working Capital Facility Agreement;

2. Execution of a binding and fully funded Mining Services Contract; and
3. Execution of a domestic back-to-back Offtake Agreement with Noble Group to meet Eskom BEE procurement conditions.

Due to delays in satisfying certain Conditions Precedent to reaching Financial Close for first drawdown under the Mining Package, the Company was advised that the IDC had made a decision to not grant an extension of the Common Terms Agreement and therefore cancel all previously approved facilities under the Mine Funding Package. A trading halt was communicated to the ASX in order for the Company to develop a plan to secure additional working capital from Noble. Subsequently, Noble appointed a financial advisor (Macquarie) in order to assist with the development strategy and the Company announced on 14 December 2020 that it had executed the legal documentation to reflect the in-principle financial support with Noble in the form of a Ninth Deed of Amendment and Restatement to the Facility Agreement dated 3 March 2014 as amended from time to time. The additional financial support of US$920,000 is to be made available in three (3) instalments to cover an austerity operational budget for the period through to 28 February 2021.

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 (2019: nil).