

03 October 2016

Market Announcements Office
ASX Limited

2016 Annual Report

Resources & Energy Group Limited (REZ) is about to commence dispatch of its 2016 Annual Report, a copy is attached.

A copy of the Annual Report can also be found at www.rezgroup.com.au.

REZ expects to provide an update to investors on its operational activities at its Radio Gold and Mount Mackenzie sites, and also additional plans for its future, by December 2016.

For further information please contact:

Mr Richard Poole
Chief Executive Officer
Email: rjpoole@rezgroup.com.au
Office: +61(0) 2 92278900

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.

Web site: www.rezgroup.com.au

RESOURCES & ENERGY GROUP LIMITED



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

Solicitor

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Auditor

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

Bankers

National Australia Bank
255 George Street
Sydney NSW 2000

Stock exchange listing

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

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 2016 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: less than 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 a non-executive director of Illuka Resources Limited, Department 13 International Limited, Executive Chairman of Alexium International Group Limited and a principal of Washington DC based Viaticus Capital LLC.

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: 12 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.

During the financial year Mr Poole was a member of the Audit and Finance Committee and Remuneration/Nomination Committee. Mr Poole's previous directorships during the past three years included ASX listed Australian Power and Gas Limited.

Ms Virginia Bruce

Non-executive director, independent

Appointed: 6 December 2004

Completed years of service: 11 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: less than 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 Brightsun Enterprises Pty Limited, which was acquired by the Group in March 2016.

Mr Michael Hogg

Non-executive director, independent

Appointed: 19 February 2013, Resigned: 8 August 2016

Complete 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. During the financial year Mr Hogg was a member of the Audit and Finance Committee and Remuneration/Nomination Committee.

Company Secretary

Mr Warren Kember

Bachelor of Commerce, MBA, Dip Applied Finance

Appointed: 8 August 2016

Complete years of service: less than 1 year.

Warren Kember is the Chief Financial Officer and Company Secretary of the Group and is responsible for directing all financial, legal and risk management. Warren 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, Warren was the Chief Financial Officer and, ultimately, the Chief Executive Officer of Australian Power & Gas Limited, a high growth, ASX listed energy retailer. Warren was also the Chief Executive Officer of a number of renewable energy companies.

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	12,742,749	6,250,000
Ms Virginia Bruce	50,000	-
Mr James Croser	3,597,022	-

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:

Resources & Energy Group Limited

Directors' Report

	Directors' meetings		Remuneration/	
	Eligible to attend	Attended	Audit	Nomination
Mr Gavin Rezos	-	-	-	-
Mr Richard Poole	10	10	1	1
Ms Virginia Bruce	10	10	-	-
Mr James Croser	-	-	-	-
Mr Michael Hogg	10	10	1	1

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. (2015: \$Nil).

PRINCIPAL ACTIVITIES

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

The company had 2 employees at 30 June 2016 (2015: 0 employees).

OPERATING RESULTS FOR THE YEAR

Financial results

The loss after tax of the group for the year ended 30 June 2016 was \$1,427,224 (2015: \$544,557).

The operating loss included the following items:

- (i) a charge of \$416,817 for the impairment of the remaining portion of the Deep Energy exploration and evaluation costs. The write down has occurred as it was resolved to cease further work on the prospect and relinquish the licenses.
- (ii) share based payment expense of \$232,815 relating to the issue of share options during the year (a non-cash expense).
- (iii) an increase in other operating expenses net of interest of \$259,025 was incurred as the activity on the Mount McKenzie and Radio Gold mines increased.

During the year the Company raised equity and debt capital to facilitate the acquisition and development of the Radio Gold mine in Western Australia. A placement of 11,000,000 ordinary shares raised \$1,100,000, and a placement of Project Development Notes (PDNs) raised \$2,228,000, of which an initial \$557,000 was drawn down during the financial year. Share options associated with the PDNs provides the financiers with an opportunity to convert their loans into ordinary shares at 12 cents each on and from 31 March 2017 and expire on 31 March 2021.

Radio Gold Pty Limited

The acquisition of the Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited) the owner of a mine located in the Kalgoorlie region (Radio Gold) was completed in April 2016. Subsequent to the completion of the acquisition, a mining manager was appointed in June 2016 and site setup has commenced, including earthworks associated with the camp, administration and workshop facilities. Accommodation is in place, as is potable water supply and power generation. The dewatering dam has been prepared and 160mm pipeline installed from the main shaft.

Mount Mackenzie

Exploration and evaluation of the Mount Mackenzie mine continued during the financial year. Results from preliminary metallurgical testing on a selection of composite samples recovered from previous exploration drilling indicated gold recoveries up to 96%. 15 composite samples were tested from North Knoll deposit ranging from surface to 70m depth, which included a sample from MMRC666 at 22m with a grade of 5.1gt/au (24m down hole).

Resources & Energy Group Limited

Directors' Report

Planning work including access notification was also carried out to facilitate the next round of drilling and geochemical investigations at Mount Mackenzie and Clive Creek. An application to renew EPM 17515 was lodged with Queensland Department of Natural Resources and Mines.

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
South Australia	Deep Energy	GEL486	Being relinquished	51.85%	

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the following significant changes occurred:

- (i) The Company acquired 100% of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited) (RGL), which owns the Radio Gold mine leases, for a total consideration of \$2,035,000. The consideration consisted of \$235,000 in cash and the issue of 15 million ordinary shares ;
- (ii) Mr James Croser, a former director of RGL, was appointed as the Chief Operating Officer and as a Director of the Company upon the completion of the acquisition of RGL;
- (iii) activity on the group's geothermal projects was discontinued and the leases are in the process of being relinquished; and
- (iv) the Company undertook a number of capital raisings to facilitate development of its mining interests during the financial year, these consisted of:
 - the raising of \$1,100,000 via the issue of 11,000,000 ordinary shares at 10 cents each; and
 - the arrangement of a convertible loan facility ("project development notes") of \$2,228,000 of which \$557,000 was drawn by the end of the financial year. An issue of 18,566,667 share options was also made concurrently to the providers of funds under the project development notes.

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 2016, the Group's current assets of \$1,040,734 (2015: \$109,674) were more than current liabilities of \$488,270 (2015:\$49,258).

For the 12 months ended 30 June 2016 the Group recorded a loss before taxation of \$1,530,474 (2015: \$544,557), and net cash used by operating activities was \$393,856 (2015:\$519,633).

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 financing facilities to fund working capital requirements; and
- (ii) increases in revenue and cash flows from current trading.

As at 30 June 2016, the Group had the ability to draw upon a loan facility agreement. The facility is for a total of \$2,228,000, is unsecured and expires on 30 June 2017 if undrawn as at that date. As at the current drawn amount of the facility was \$557,000, of a total of \$1,671,000 was available at that date.

Resources & Energy Group Limited

Directors' Report

The ability to draw the facility is not subject to conditions that are unfulfilled, however it is subject to usual terms in the event of a default commonly found in debt facilities. The Group's current forecasts indicate that in order to meet the current business plans the ability to draw upon the currently available debt facility is required.

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

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. There have been no other 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.

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.

SHARE OPTIONS

There were 32,066,667 share options on issue as at 30 June 2016 that can convert to ordinary shares in the ratio of 1 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	Grant date	Expiry date	Exercise price	Number of share options
Class A ¹	22-12-14	31-12-17	\$0.05	2,000,000
Class B ¹	22-12-14	31-12-18	\$0.05	2,000,000
Class C ¹	10-04-15	31-12-18	\$0.06	1,000,000
Class D ^{1,2}	09-11-15	31-12-19	\$0.12	1,000,000
Class E ³	22-04-16	31-03-21	\$0.12	18,566,667
Class F ³	20-06-16	31-03-21	\$0.12	5,000,000
Class G ⁴	20-06-16	31-03-21	\$0.12	2,500,000
Share options on issue at 30 June 2016 per Note 16 of the Financial Report				32,066,667

Resources & Energy Group Limited

Directors' Report

Note 1: Exercisable anytime from date of issue until expiry

Note 2: 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.

Note 3: Earliest exercise date 31 March 2017

Note 4: Earliest exercise date 31 March 2017, vesting subject to ongoing service until 31 March 2017

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 either the current or previous auditor.

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 2016, 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 Michal Hogg	Non-executive director

Resources & Energy Group Limited

Directors' Report

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 Remuneration Committee is responsible for determining and reviewing the remuneration of KMP and determines the nature and amount of emoluments of KMP on an annual basis with reference 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. Please refer to our corporate governance statement on our web site at www.rezgroup.com.au.

Short-term incentives and long-term incentives

Due to the current size and extent of nature of operations, no short-term incentives such as performance based bonuses or long term incentives such as share options were provided to KMP, other than the issue of 7,500,000 share options to Mr Gavin Rezos.

Details of remuneration

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

	Short-term benefits	Post employment	Share-based payments	Total
	Salary & fees	Superannuation	Equity settled	
	\$	\$	\$	\$
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 Michal Hogg	30,000	-	-	30,000
	160,133	3,167	232,815	396,115
Year ended 30 June 2015				
Mr Richard Poole	52,800	-	-	52,800
Ms Virginia Bruce	36,000	-	-	36,000
Mr Michal Hogg	30,000	-	-	30,000
	118,800	-	-	118,800

The percentage of total remuneration provided in the form of share-based payments for Mr Gavin Rezos as 96%. For all other KMP for the current and prior financial year it was nil.

Resources & Energy Group Limited

Directors' Report

Service agreements

The non-executive directors did not enter into any service agreements with the group. The Nomination Committee considers 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.

Service agreement was entered into the executives director were 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 current financial year or future reporting years are as follows:

Option class	Number of share options	Grant date	Expiry date	Exercise price	Fair value per option at grant date
Class F 1	5,000,000	20-06-16	31-03-21	\$0.12	\$155,210
Class G ²	2,500,000	20-06-16	31-03-21	\$0.12	\$77,605
	<u>7,500,000</u>				<u>\$232,815</u>

Note 1: Earliest exercise date 31 March 2017

Note 2: Earliest exercise date 31 March 2017, vesting subject to ongoing service until 31 March 2017

Share options carry no entitlement to dividends or right to vote. No share options were issued in the prior financial year. 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.

End of remuneration report

Signed in accordance with a resolution of the directors.



Mr Gavin Rezos
Chairman
Sydney, 30 September 2016

Resources & Energy Group Limited

Mineral Resources and Ore Reserves

Group mineral resources as at 30 June 2016 are 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. Figures for the Radio Gold mine in Western Australia are not yet available. In the prior year no estimation of the resource was available.

Mineral Resources - June 2016

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)
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
			1,150	1.33	49	12	445	1,220	1.29	51	5	179	2,370	1.30	100	16	326

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) and respectively. MGS and GKC have been contracted by Resources and Energy Group 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.

RESOURCES & ENERGY GROUP LIMITED



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Resources & Energy Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from continuing operations			
Other income	4(a)	2,503	4,661
Consulting fees		(254,666)	(143,006)
Legal costs		(54,979)	(6,062)
Corporation maintenance expenses		(93,882)	(85,135)
Director fees		(132,500)	(118,800)
Employee benefits expense	4(b)	(47,184)	-
Finance costs	4(c)	(26,625)	(11,880)
Write off of exploration and evaluation assets		(416,817)	(14,955)
Impairment of property, plant and equipment		(149,492)	-
Share-based payments expense		(232,815)	(57,277)
Other expenses		(124,017)	(112,103)
Loss before income tax		(1,530,474)	(544,557)
Income tax expense	5	103,250	-
Loss after tax from continuing operations		(1,427,224)	(544,557)
Total comprehensive income for the year attributable to the owners of Resources & Energy Group Limited		(1,427,224)	(544,557)
Total comprehensive loss is attributable to:			
- shareholders of Resource & Energy Group Limited		(1,386,127)	(538,653)
- non- controlling interests		(41,097)	(5,904)
		(1,427,224)	(544,557)
Earnings per share (cents per share) – basic and diluted	14	(1.93)	(0.94)

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 2016

	Notes	2016 \$	2015 \$
<u>Assets</u>			
Current assets			
Cash and cash equivalents	6	927,687	102,430
Trade and other receivables		13,047	7,244
Financial assets	7	100,000	-
Total current assets		1,040,734	109,674
Non-current Assets			
Property, plant and equipment	8	84,621	30,000
Exploration and evaluation assets	9	2,922,421	1,122,392
Financial assets	7	-	100,000
Total non-current assets		3,007,042	1,252,392
Total assets		4,047,776	1,362,066
<u>Liabilities</u>			
Current liabilities			
Trade and other payables		485,770	49,258
Provisions		2,500	-
Total current liabilities		488,270	49,258
Non-current liabilities			
Interest-bearing loans and borrowings	10	783,506	203,125
Deferred tax liabilities	11	-	103,250
Total non-current liabilities		783,506	306,375
Total liabilities		1,271,776	355,633
Net assets		2,776,000	1,006,433
<u>Equity</u>			
Issued capital	12	14,666,238	11,862,554
Reserves	13	450,384	57,277
Retained earnings		(14,734,427)	(13,348,300)
Total equity attributable to the shareholders of Resources & Energy Group Limited		382,195	(1,428,469)
Non-controlling interests		2,393,805	2,434,902
Total equity		2,776,000	1,006,433

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 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(396,359)	(524,294)
Interest received		2,503	4,661
Net cash flows used in operating activities	6(b)	<u>(393,856)</u>	<u>(519,633)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(54,621)	(30,000)
Exploration and evaluation costs capitalised		(239,639)	(479,727)
Net acquisition of subsidiary, net of cash acquired		(234,342)	-
Deposits		-	(100,000)
Net cash flows used in investing activities		<u>(528,602)</u>	<u>(609,727)</u>
Cash flows from financing activities			
Issue of ordinary shares		1,100,000	973,600
Issue of ordinary shares - issue costs		(67,650)	(59,839)
Proceedings from borrowings		557,000	-
Proceedings from borrowings - related party, net		158,365	-
Net cash flows provided by financing activities		<u>1,747,715</u>	<u>913,761</u>
Net increase/(decrease) in cash and cash equivalents		825,257	(215,599)
Cash and cash equivalents at beginning of period		102,430	318,029
Cash and cash equivalents at end of period	6(a)	<u>927,687</u>	<u>102,430</u>

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 2016

	Issued capital \$	Share option reserve \$	Retained earnings \$	Non- controlling interests \$	Total \$
Balance at 1 July 2014	10,948,793	-	(12,809,647)	2,440,806	579,952
Total comprehensive income for the year			(538,653)	(5,904)	(544,557)
Issue of shares	973,600	-	-	-	973,600
Share issue costs	(59,839)	-	-	-	(59,839)
Issue of share options	-	57,277	-	-	57,277
Balance at 30 June 2015	11,862,554	57,277	(13,348,300)	2,434,902	1,006,433
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
Share issue costs	(96,317)	-	-	-	(96,317)
Issue of 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

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 2016

1 Corporate information

Resources & Energy Group Limited (the "Company") is a company incorporated and domiciled in Australia. The consolidated financial statements of the Company for the year ended 30 June 2016 comprise the Company and its controlled entities (together referred to as the "Group").

The consolidated financial statements were approved by the Board of Directors on 30 September 2016.

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.

The principal accounting policies are set out below.

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 2016, the Group's current assets of \$1,040,734 (2015: \$109,674) were more than current liabilities of \$488,270 (2015:\$49,258).

For the 12 months ended 30 June 2016 the Group recorded a loss before taxation of \$1,530,474 (2015: \$538,653), and net cash used by operating activities was \$393,856 (2015:\$519,633).

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:

- the availability of financing facilities to fund working capital requirements; and
- increases in revenue and cash flows from current trading.

As at 30 June 2016, the Group had the ability to draw upon a loan facility agreement. The facility is for a total of \$2,228,000, is unsecured and expires on 30 June 2017 if undrawn as at that date. As at 30 June 2016 the current drawn amount of the facility was \$557,000, of a total of \$1,671,000 was available at that date.

The ability to draw the facility is not subject to conditions that are unfulfilled, however it is subject to usual terms in the event of a default commonly found in debt facilities. The Group's current forecasts indicate that in order to meet the current business plans the ability to draw upon the currently available debt facility is required.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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.

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 of the acquiree 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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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 and evaluation assets

The Group capitalises expenditure relating to exploration and evaluation 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. Such capitalised expenditure is carried at the end of the reporting period at \$2,922,421 (2015: \$1,122,392).

The geothermal licenses held by Deep Energy Limited, a 51.85% owned subsidiary of the Company are in the process of being relinquished and accordingly have been fully impaired at 30 June 2016.

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 are based on the Mineral Resources and Ore Reserves determined under the JORC Code.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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.

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.

Estimation of the provision for rehabilitation and dismantling

Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration time value of money. Factors that will affect this liability include future disturbances caused by further development, changes in technology, changes in regulations, price increases and change in the timing of cash flows. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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.

(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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

(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 financial liabilities 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.

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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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.

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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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.

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 geothermal energy sources that are of sufficient scale to support the project concept.

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 to abandon the area is made.

o 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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

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.

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.

p 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.

q 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.

r Comparatives

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

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

s 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 2016 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 impact is yet to be quantified.

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 2016

3 Segment information

As at the date of this report, the Group has two operating segment after relinquishment of geothermal license, gold exploration and drilling and other activities (primarily corporate costs). 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 \$
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
2015				
Segment revenue				
Interest income	3,300	-	1,361	4,661
Segment expenses				
Administration and employment costs	-	-	511,818	511,818
Depreciation, impairment and amortisation	14,955	-	-	14,955
Finance costs	-	-	11,880	11,880
	14,955	-	523,698	538,653
Loss after tax from continuing operations	(11,655)	-	(522,337)	(533,992)
Segment assets	413,218	751,057	197,791	1,362,066
Segment liabilities	204,618	3,656	147,359	355,633

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	2016 \$	2015 \$
4 Revenue and expenses		
<i>Revenue and Expenses from Continuing Operations</i>		
(a) Revenue		
Other income - interest received	2,503	4,661
(b) Employee benefits expense		
Wages and salaries	44,017	-
Superannuation benefits	3,167	-
Total employee benefits expense	47,184	-
(c) Finance costs		
Interest expense - Project Development Notes	5,170	-
Project Development Notes - equity component amortisation	9,575	-
Interest expense - related party	11,880	11,880
Total finance costs	26,625	11,880
5 Income tax		
Income tax expense - tax benefit written off	(103,250)	-

The Group has brought forward tax losses as at the 30 June 2016 of \$3,051,626 (2015: \$2,253,055). The benefit relating to these and the current year losses has not been recognised in the financial report at 30 June 2016 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 2016 is in progress at the date of this report.

The benefit of these losses have not been brought to account as there is not sufficient probability at balance date that future taxable profit will be available against which the Company or its controlled entities can utilise the losses.

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 2016.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	2016 \$	2015 \$
6 Cash and cash equivalents		
(a) Cash and bank balances	<u>927,687</u>	<u>102,430</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	(1,427,224)	(544,557)
<i>Adjustments for:</i>		
Share-based payments	232,815	57,277
Impairment of property, plant and equipment	149,492	-
Write off of mining rights and exploration costs	416,817	14,955
Deferred tax write off	(103,250)	-
<i>Changes in operating assets and liabilities, net of effects from purchase of controlled entity</i>		
Decrease/(increase) in receivables	(105,803)	17,704
(Decrease)/increase in payables	439,012	(76,891)
(Decrease)/increase in other liabilities	4,285	11,879
Net cash used in operating activities	<u>(393,856)</u>	<u>(519,633)</u>
7 Financial assets		
Deposits	<u>100,000</u>	<u>100,000</u>

An amount on deposit of \$100,000 (2015: \$100,000) is subject to a charge refer Note 18.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2016

8 Property, plant and equipment

	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	30,000	54,621	84,621

Movement in property, plant and equipment			
Carrying amount at the beginning of the year	30,000	-	30,000
Additions - other	-	54,621	54,621
Additions - made on acquisition of entity (refer Note 17).		149,492	149,492
Impairment		(149,492)	(149,492)
Depreciation charge for the year	-	-	-
Carrying amount at the end of the year	30,000	54,621	84,621

	Freehold land	Plant and equipment	Total
At 30 June 2015			
Cost	30,000	-	30,000
Accumulated depreciation	-	-	-
Net carrying amount	30,000	-	30,000

Movement in property, plant and equipment			
Carrying amount at the beginning of the year	-	-	-
Additions	30,000	-	30,000
Depreciation charge for the year	-	-	-
Carrying amount at the end of the year	30,000	-	30,000

9 Exploration and evaluation assets

	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 (refer Note 17)	-	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

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Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	Geothermal	Gold	Total
At 30 June 2015			
Cost	8,673,317	713,575	9,386,892
Accumulated depreciation and impairment	(8,264,500)	-	(8,264,500)
Net carrying amount	408,817	713,575	1,122,392
Movement in exploration and evaluation assets			
Carrying amount at the beginning of the year	419,856	237,765	657,621
Additions	3,956	475,810	479,766
Written off exploration and evaluation assets	(14,995)	-	(14,995)
Depreciation charge for the year	-	-	-
Carrying amount at the end of the year	408,817	713,575	1,122,392

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 has been impaired in the amount of \$416,817 (2015: \$8,264,500) 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 is economically prohibitive if the Group can 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.

Resources & Energy Group Limited

Notes to the Financial Statements For the year ended 30 June 2016

10 Interest-bearing loans and borrowings

	2016 \$	2015 \$
Non-current - unsecured		
Borrowings - related party	375,724	203,125
Borrowings - project development notes	407,782	-
	783,506	203,125

Project Development Notes

On 29 April 2016 the Company drew down an amount \$557,000 from an unsecured Project Development Note facility (PDNs). The facility was provided by private financiers (Financiers) and has a committed limit of \$2,228,000 and the undrawn balance of \$1,671,000 can be drawn, at the election of the Company, until 30 June 2017 in increments of 25% of the total committed limit. Interest is payable quarterly at the rate of 8.0% per annum.

Any PDNs 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 in repayments equal to 50% of the Company's positive pre-tax cash from operations (each quarter) until balance owed under the PDNs and any outstanding interest is repaid in full.

The Company issued 18,566,667 share options concurrently with the PDNs to the Financiers whereby the Financiers have the right to subscribe for ordinary shares of the Company (PDN Options). As a result the net proceeds received from the issue of the PDNs 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 PDN 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 PDN 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 PDN 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.
- (v) Cancellation of options: If a Financier fails to provide funding pursuant to the PDNs any unexercised PDN Options held by that Financier can be cancelled at the election of the Company.

11 Deferred tax liabilities

	2016 \$	2015 \$
Deferred tax liability attributable to exploration and evaluation assets	-	103,250

Deferred tax liabilities carried over from previous years and in relation to geothermal exploration expenditure in Deep Energy Pty Ltd has been written off during the year upon relinquishment of the geothermal license.

Resources & Energy Group Limited

Notes to the Financial Statements

For the year ended 30 June 2016

12 Issued capital

	2016 \$	2015 \$
95,682,306 fully paid ordinary shares (2015:69,682,306)	14,666,238	11,862,554

Movements in fully paid ordinary shares

	2016			2015		
	\$/share	Number	\$	\$/share	Number	\$
Fully paid ordinary shares						
Balance at the beginning of the financial year		69,682,306	11,862,554		45,342,306	10,948,793
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			
Placement of shares for cash				\$0.04	24,340,000	973,600
Transaction costs of issue			(96,317)			(59,839)
Balance at the end of the financial year		95,682,306	14,666,238		69,682,306	11,862,554

- (i) During the 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 17). 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.

13 Reserves

	2016 \$	2015 \$
Share option reserve		
Balance at the beginning of the financial year	57,277	-
Issue of options other	-	57,277
Issue of options to director (i)	232,815	-
Recognition of equity component on issue of project development notes (ii)	160,292	-
Balance at the end of the financial year	450,384	57,277

- (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, refer Note 10 to the financial statements.

Resources & Energy Group Limited

Notes to the Financial Statements

For the year ended 30 June 2016

14 Asset backing and earnings per share

	2016 cents per share	2015 cents per share
Basic and diluted earnings per share (continuing operations) (cents per share)	(1.93)	(0.94)
Basic and diluted assets per share (continuing operations) (cents per share)	3.86	1.75

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2016 \$	2015 \$
Loss attributable to shareholders of the Company used in the calculation of basic and diluted earnings per share	(1,386,127)	(538,653)
Weighted average number of ordinary shares for basic earnings per share	71,958,262	57,512,306
Effect of dilution of share options on issue (i)	32,066,667	-
Weighted average number of ordinary shares adjusted for the effect of dilution	104,024,929	57,512,306

- (i) All share options on issue have been assessed as being dilutive for the of calculating earnings per share, refer Note 16, however 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.

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.

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Notes to the Financial Statements

For the year ended 30 June 2016

(b) Significant accounting issues

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 1 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; and

(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	2016 \$	2015 \$
Financial assets			
Cash and cash equivalents	6	927,687	102,430
Trade and other receivables		13,047	7,244
		940,734	109,674
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables		485,770	49,258
Borrowings - related party	10	375,724	203,125
Liabilities measured at fair value - Level 3 ¹			
Borrowings - project development notes	10	407,782	-
		861,494	252,383

Note 1: 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).

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Notes to the Financial Statements

For the year ended 30 June 2016

(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.

2016	Interest rates	Contractual	6mths or	6-12 mths	1-5 years
		repayment amount	less		
Cash and cash equivalents	2.0%	927,687	927,687	-	-
Receivables	na	13,047	13,047	-	-
2015					
		Contractual	6mths or	6-12 mths	1-5 years
		repayment amount	less		
Cash and cash equivalents	2.4%	102,430	102,430	-	-
Receivables	na	7,244	7,244	-	-

(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.

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Notes to the Financial Statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Borrowings	10	375,724	203,125
Adjust debt to amount repayable (i)		149,218	-
		524,942	203,125
Cash per cash flow statement (ii)	6	927,687	102,430
Net debt		(402,745)	100,695

(ii) Adjustment to reflect current face value of interest bearing debts.

(iii) Cash and bank balances as detailed in Note 6, excludes cash subject to charge.

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.

2016	Interest rate	Contractual repayment amount	Less than 1 year	1-5 years
Trade payables		485,770	485,770	-
Borrowings - other (fixed rate)	8.0%	683,111	44,560	638,551
Borrowings - related parties (variable rate)	8.0%	414,130	414,130	-
		1,583,011	944,460	638,551

2015	Contractual repayment amount	Less than 1 year	1-5 years
Trade payables	49,258	49,258	-
Borrowings - related parties	203,125	203,125	-
	252,383	203,125	-

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.

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For the year ended 30 June 2016

	Within 1 Year		1 to 5 Year		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Group financial liabilities due for payment						
Trade payables	485,770	49,258	-	-	485,770	49,258
Borrowings - fixed rate	44,560		638,551	-	683,111	-
Borrowings - related parties	-	-	414,130	-	414,130	-
Total contractual and	530,330	49,258	1,052,681	-	1,583,011	49,258
Group financial assets - cash flows realisable						
Cash and cash equivalents	927,687	102,430	-	-	927,687	102,430
Receivables	13,047	7,244	-	-	13,047	7,244
Total anticipated inflows	940,734	109,674	-	-	940,734	109,674
Net outflow/(inflows)	(410,404)	- 60,416	1,052,681	-	642,277	- 60,416

(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 2016, 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:

	2016	2015
	\$	\$
Change in profit		
- Increase in interest rate by 5%	414	572
- Decrease in interest rate by 5%	(435)	(572)
Change in equity		
- Increase in interest rate by 5%	(5,326)	572
- Decrease in interest rate by 5%	11,411	(572)

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For the year ended 30 June 2016

16 Share-based payments

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

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the financial year	5,000,000	\$0.052	-	
Granted during the financial year	27,066,667	\$0.120	5,000,000	\$0.052
Balance at the end of the financial year	32,066,667	\$0.109	5,000,000	\$0.052
Exercisable at the end of the financial year	5,000,000	\$0.063	5,000,000	\$0.052

Details of share options granted during the year:

	Class D ¹	Class E ²	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	Continuing service

Note 1: 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.

Note 2: Issue of share options pursuant to the Project Development Note Facility (refer Note 10 for details)

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

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Details of share options granted during the prior year:

	Class A	Class B	Class C
Grant date	22-12-14	22-12-14	10-04-15
Expiry date	31-12-17	31-12-18	31-12-18
Exercisable from	22-12-14	22-12-14	10-04-15
Exercise price	\$0.05	\$0.05	\$0.06
Number of options issued	2,000,000	2,000,000	1,000,000
Fair value at grant date	\$22,911	\$22,911	\$11,455
Fair value at grant date per option	\$0.0115	\$0.0115	\$0.0115
Vesting conditions	na	na	VWAP > 7 cents

A binomial American option pricing model or a trinomial call option pricing model was used to determine the fair values using the following parameters:

		Class A	Class B	Class C
Expected volatility of ordinary shares	%	50%-65%	50%-65%	50%-65%
Risk free interest rate	%	2.12%	2.12%	2.12%
Underlying share price at valuation date	\$/share	\$0.10	\$0.10	\$0.10
Weighted average life of option	years	3.0	4.0	3.7
Weighted average exercise price	\$/share	\$0.05	\$0.05	\$0.06

17 Business combination

On 12 January 2016, the Group announced that it had entered into a binding agreement with the shareholders of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited) ("RGL") to acquire 100% of the issued share capital of RGL. RGL holds mining tenements for an underground mine site known as Radio Gold.

The purchase price for the acquisition was a total of \$2,035,000, consisting of the payment in cash of \$235,000 and the issue of two tranches of the Company's ordinary shares totalling 15,000,000 issued at 12 cents each. The first tranche of 7,500,000 ordinary shares ("Consideration Shares") were subject to 2 years escrow from trading. The second tranche of 7,500,000 ordinary shares ("Performance Shares") were subject to 2 years escrow from trading and also a performance condition whereby the Performance Shares could be repurchased by the Company if the net cash position of the Radio Gold mine within 24 months of commencing operations is not a minimum of \$1 million. As part of the agreement the Group was to make available \$1,250,000 for the development of the Radio Gold mine.

The accounting for the Radio Gold mine acquisition has been determined on a provisional basis at 30 June 2016 as the fair value assigned to the acquiree's identifiable assets and liabilities have only been determined provisionally. Any adjustments to these provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of the acquisition.

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The consideration provided for the acquisition was:

	2016	2015
	\$	\$
Purchase consideration		
Ordinary shares issued	1,800,000	-
Cash paid	235,000	-
Total purchase consideration	<u>2,035,000</u>	<u>-</u>
Cash outflow		
Cash consideration	235,000	-
Less cash balances acquired	(658)	-
Outflow of cash - investing activities	<u>234,342</u>	<u>-</u>

Acquisition costs that were not directly attributable to the issue of shares are included in the acquisition and integration costs in the profit or loss and in operating cash flows in the statement of cash flows.

The assets and liabilities provisional recognised as a result of the acquisition were as follows:

Date of acquisition	28 April 2016
Cash	658
Receivables	1,737
Exploration and evaluation assets	1,897,205
Plant and equipment	149,491
Accounts payable	(14,091)
Total identifiable net assets at fair value	<u>2,035,000</u>

18 Contingent liabilities

	2016	2015
	\$	\$
Bank guarantees	<u>100,000</u>	<u>100,000</u>

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 \$100,000 (2015: \$100,000) (refer Note 7). No material losses are expected.

There are no other contingent liabilities as at 30 June 2016 (2015: nil)

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19 Tenement lease commitments

	2016	2015
	\$	\$
<i>Minimum expenditure commitment on geothermal tenement lease</i>		
The Group holds a geothermal exploration licence as at 30 June 2016. Application has been lodged to relinquish the licence.		
Committed but not provided for and payable:		
Within one year	-	340,000
One year or later and no later than for five years	-	1,187,000
	-	1,527,000
<i>Minimum expenditure commitment on other 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 Gold mine as at 30 June 2016.		
Committed but not provided for and payable:		
Within one year	824,281	2,150,000
One year or later and no later than for five years	1,428,619	4,500,000
	2,252,900	6,650,000

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20 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. 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.

	2016 \$	2015 \$
Short-term	160,133	118,800
Post employment	3,167	-
Share-based payment	232,815	-
	396,115	118,800

(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.

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 ¹	-	-	3,597,022	3,597,022
Mr Michal Hogg	-	-	-	-

Note 1: 3,597,022 ordinary shares were issued to Mr Croser pursuant to the acquisition of Brightsun Enterprises Pty Limited. Of these ordinary shares, 1,798,511 are subject to a performance condition as set out in Note 17.

2015	Balance at the start of the year	Granted as compensation	Net other change	Balance at the end of the year
Mr Richard Poole	8,885,600	-	-	8,885,600
Ms Virginia Bruce	50,000	-	-	50,000
Mr Michal Hogg	-	-	-	-

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(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 Note16

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 Michal Hogg	-	-	-	-	-
2015	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 Richard Poole	-	-	-	-	-
Ms Virginia Bruce	-	-	-	-	-
Mr Michal Hogg	-	-	-	-	-

(c) Other transactions with key management personnel

Richard Poole

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

During the financial year the Company entered into a Corporate Advisory and Business Development Mandate (Agreement) with Arthur Phillip Pty Limited (Arthur Phillip), an entity controlled by 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. Arthur Phillip were entitled to the following fees and expenses:

- (i) provision of accounting, office administration, consulting and company secretarial services to the Company, amounting to \$101,800 (2015: \$75,900);
- (ii) \$67,650 for the arranging of an equity issue that raised \$1,100,000;
- (iii) \$103,048 for the arranging of Project Development Notes that raised \$2,228,000.

An amount of \$168,498 of these fees and expenses remained unpaid as at 30 June 2016 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 (2015: \$11,880) was incurred during the financial year. A further \$158,365 was advanced during the financial year, on an interest free basis. As at the end of the financial year a total amount of \$375,724 (2015:\$203,125) was outstanding (refer Note 10).

Resources & Energy Group Limited

Notes to the Financial Statements

For the year ended 30 June 2016

A related party of Mr Richard Poole advanced \$187,500 to the Group pursuant to the Project Development Notes, refer Note 10. The unsecured borrowing bears annual interest at 8.0% and an expense of \$1,808 (30 June 2015: Nil) was incurred during the financial year.

Virginia Bruce

As at the end of the prior financial year an amount of \$125,000 was owed by related parties of Ms Virginia Bruce, was fully impaired. During the current financial year this amount has been written off.

James Croser

James Croser was appointed a director of Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited) on 10 December 2013. A related entity to Mr Croser held 4,768,304 shares in Radio Gold Pty Limited prior to its acquisition by the Company.

Upon the acquisition of Radio Gold Pty Limited by the Company, Mr Croser was entitled to received a total of 3,597,022 ordinary shares of the Company along with \$56,400 in cash (refer Notes 17 and 20).

Upon the completion of the acquisition Mr Croser was then appointed as a director of the Company from 19 May 2016.

21 Related party disclosures

The consolidated financial statements include the financial statements of Resources & Energy Group Limited and the controlled entities listed in the following table.

Resources & Energy Group Limited is the ultimate Australian parent entity and the ultimate parent of the Group.

Name	Country of incorporation	% Equity interest	
		2016	2015
Mount Mackenzie Pty Limited	Australia	100.00%	100.00%
Radio Gold Pty Limited (formerly Brightsun Enterprises Pty Limited)	Australia	100.00%	100.00%
Deep Energy Pty Limited	Australia	51.85%	51.85%

Resources & Energy Group Limited

Notes to the Financial Statements

For the year ended 30 June 2016

22 Parent entity financial information

(a) Summary financial information

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

	2016 \$	2015 \$
Balance Sheet		
Current Assets	920,628	97,792
Total Assets	3,999,754	2,622,569
Current Liabilities	362,892	44,109
Total Liabilities	929,039	44,109
Net Assets	3,070,715	2,578,460
Shareholders' contributed equity	14,694,904	11,919,830
Reserves	449,453	-
Accumulated Losses	(12,073,642)	(9,341,370)
	3,070,715	2,578,460
Profit or Loss for the year		
Total comprehensive income/(loss) for the year	(2,732,272)	(521,837)

(b) Contingent Liabilities of the Parent

The Company did not have any contingent liabilities as at 30 June 2016 or in the prior financial year.

(c) Commitments

The Company did not have any contingent liabilities as at 30 June 2016 or in the prior financial year.

23 Auditors' remuneration

	2016 \$	2015 \$
Fees charged by the auditor of the Company for auditing or reviewing the financial report	52,000	44,500

24 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 2016.

25 Events after balance sheet date

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. There have been no other 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001.
- (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, 30 September 2016

**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 2016, 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 30 September 2016

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

Scope

Report on the Financial Report

We have audited the accompanying financial report of Resources & Energy Group Limited comprising the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the end of the financial year or from time to time during the financial year.

Directors' responsibility for the Financial Report

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 relevant as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud and error. In Note 2 the directors also state, in accordance with Accounting Standard AASB 101; *Presentation of Financial Statements* that the financial statements comply with the *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Auditors Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Audit Opinion

In our opinion,

- (a) the financial report of Resources & Energy Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and with the *Corporations Regulations 2001*;
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Significant Uncertainty Regarding Going Concern

Without modification to our opinion expressed above, attention is drawn to the Note 2(b) of the consolidated financial report, which sets out the basis on which the directors believe that the Group will be able to continue as a going.

At 30 June 2016, the Group's current assets of \$1,040,734 (2015: \$109,674) were more than current liabilities of \$488,270 (2015:49,258). For the 12 months ended 30 June 2016 the Group recorded a loss before taxation of \$1,530,474 (2015: \$544,557), and net cash used by operating activities was \$393,198 (2015: \$519,633).

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:

- the availability of financing facilities to fund working capital requirements; and
- increases in revenue and cash flows from current trading.

As at 30 June 2016, the Group had the ability to draw upon a loan facility agreement. The facility is for a total of \$2,228,000, is unsecured and expires on 30 June 2017 if undrawn as at that date. As at 30 June 2016 the current drawn amount of the facility was \$557,000, of a total of \$1,671,000 was available at that date.

The ability to draw the facility is not subject to conditions that are unfulfilled, however it is subject to usual terms in the event of a default commonly found in debt facilities. The Group's current forecasts indicate that in order to meet the current business plans the ability to draw upon the currently available debt facility is required.

The financial report does 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.

Report on Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2016. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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.

Opinion

In our opinion the Remuneration Report of Resources & Energy Group Limited for the year ended 30 June 2016, complies with s 300A of the *Corporations Act 2001*.

LNP Audit and Assurance



Robert Nielson
Director

Sydney, 30 September 2016

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 2016.

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	17,359,168	18.1%
J P Morgan Nominees Australia Limited	8,750,000	9.1%
Gaffwick Pty Limited	5,333,334	5.6%
Sanjur Pty Ltd	3,988,802	4.2%
Mr Paul Healey	3,000,000	3.1%
HSBC Custody Nominees (Australia) Limited	2,540,000	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%
Riverbend Investments Pty Ltd	2,083,334	2.2%
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 Fi	1,250,000	1.3%
Mr John Charles Atkinson & Ms Susan Elizabeth Hanrahan <Han	1,250,000	1.3%
Larca Pty Limited	1,166,666	1.2%
Wilshire Capital Partners Pty Ltd	1,121,032	1.2%
Link Traders (Aust) Pty Limited	1,000,000	1.0%
Minerva Geological Services Pty Limited	1,000,000	1.0%
Jamstep Holdings Pty Limited	1,000,000	1.0%
Ironwood Investments Pty Limited	969,601	1.0%
Total top 20 holders	62,691,537	61.4%
Other holders	32,990,769	38.6%
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	36.6%
5,001 - 10,000	66	16.7%
10,001 - 100,000	111	28.0%
100,001 and Over	68	17.2%
	396	100.0%

There were 124 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 20	12,742,729	13.32%
Terra Capital Pty Limited	8,750,000	9.14%
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 Refer Note 16	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 has been no share buyback during the 12 months to 30 June 2016 or subsequently.

2 Share options

The names of holders 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%
	Seefeld Investments Pty Limited	2,100,000	11.3%
	Communications Power Incorporate (Aust) Pty Ltd	1,000,000	5.4%
	Squoosh Pty Limited	850,000	4.6%
F	Vivien Enterprises Pte Ltd	5,000,000	100.0%
G	Vivien Enterprises Pte Ltd	2,500,000	100.0%
Total share options on issue per Note 16 of the Financial Report		32,066,667	