

RESOURCES & ENERGY GROUP LIMITED



HALF YEAR REPORT

31 DECEMBER 2018

Resources & Energy Group Limited

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Resources & Energy Group Limited

Corporate Directory

Directors

Gavin Rezos
Richard Poole
Virginia Bruce

Secretary

Warren Kember

Share Registry

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

Auditor

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

Stock exchange listing

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

Registered office and principal place of business

Level 33 Colonial Centre
52 Martin Place
Sydney, NSW 2000

Telephone +(612) 9227 8900
Facsimile +(612) 9227 8901

ABN: 12 110 005 822
Web site: www.rezgroup.com.au

Solicitor

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

Bankers

National Australia Bank
255 George Street
Sydney, NSW 2000

Resources & Energy Group Limited

Directors' Report

The directors present their report together with the consolidated financial report of Resources & Energy Group Limited (Company) and its controlled entities (the Group or consolidated entity) for the half year ended 31 December 2018 and the Independent Review Report thereon.

DIRECTORS

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

Mr Gavin Rezos	Appointed	22 April 2016	
Mr Richard Poole	Appointed	12 July 2004	
Ms Virginia Bruce	Appointed	6 December 2004	
Mr James Croser	Appointed	19 May 2016	Resigned 16 October 2018

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 (2017: \$Nil).

PRINCIPAL ACTIVITIES

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

The company had 5 employees at 31 December 2018 (2017: 2 employees).

OPERATING RESULTS FOR THE YEAR

Financial results

The loss after tax of the Group for the period ended 31 December 2018 was \$1,536,616 (2017: \$1,719,391).

The operating loss included the following items:

- (i) the expensing of operating costs of the Radio mine of \$695,577;
- (ii) an increase in finance expense of \$207,205 which included a non-cash expense for the amortisation of the equity portion of the project development notes of \$247,384; and
- (iii) gain arising on the acquisition of Menzies Goldfield Limited of \$271,946.

During the reporting period the Company raised additional capital via short term loans from related and unrelated parties totalling \$552,675.

Radio Gold Pty Limited

The Radio project located in the Kalgoorlie region of Western Australia continued its evaluation and development. Bulk sampling during the period resulted in revenue of \$434,612. Subsequently activity at the mine site has been restricted to care and maintenance whilst future geological analysis and mine development planning is undertaken.

Resources & Energy Group Limited

Directors' Report

Mount Mackenzie

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

Tenement Schedule

State	Project	Number	Status	REZ beneficial ownership	Expiry
Queensland	Mt Mackenzie	EPM10006	Live	100.0%	28/03/2023
Western Australia	Radio Gold	ML77/633	Live	100.0%	24/08/2036
Western Australia	East Menzies	M29/141	Live	100.0%	31/07/2033
Western Australia	East Menzies	P29/2106	Pending conversior	100.0%	4/02/2018
Western Australia	East Menzies	P29/2161	Pending conversior	100.0%	31/01/2019
Western Australia	East Menzies	P29/2162	Pending conversior	100.0%	31/01/2019
Western Australia	East Menzies	P29/2163	Pending conversior	100.0%	31/01/2019
Western Australia	East Menzies	P29/2164	Pending conversior	100.0%	31/01/2019
Western Australia	East Menzies	P29/2174	Live	100.0%	8/06/2019
Western Australia	East Menzies	P29/2175	Live	100.0%	30/05/2019
Western Australia	East Menzies	P29/2220	Live	100.0%	30/07/2020
Western Australia	East Menzies	P29/2221	Live	100.0%	30/07/2020
Western Australia	East Menzies	P29/2223	Live	100.0%	4/09/2020
Western Australia	East Menzies	P29/2224	Live	100.0%	4/09/2020
Western Australia	East Menzies	P29/2225	Live	100.0%	4/09/2020
Western Australia	East Menzies	P29/2226	Live	100.0%	4/09/2020
Western Australia	East Menzies	P29/2227	Live	100.0%	4/09/2020
Western Australia	East Menzies	P29/2228	Live	100.0%	4/09/2020
Western Australia	East Menzies	P29/2270	Live	100.0%	22/04/2021

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 21 December 2018 the Company acquired the issued share capital of Menzies Goldfield Pty Limited (previously Menzies Goldfield Limited) for total consideration of \$2,100,000. The consideration consisted of the issue of 32,400,000 ordinary shares at a deemed issue price of 5 cents each, plus cash consideration of \$480,000.

Resources & Energy Group Limited

Directors' Report

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 31 December 2018, the Group's current assets of \$67,531 (30 June 2018: \$177,281) were less than current liabilities of \$6,609,193 (30 June 2018: \$2,847,736).

Current liabilities of \$6,609,193 included an amount of \$2,334,350 being the estimated current portion of unsecured interest bearing liabilities and payables of \$2,999,319.

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

For the 6 months ended 31 December 2018 the Group reported a loss before taxation of \$1,536,616 (2017: \$1,719,391), and net cash used by operating activities was \$606,302 (2017: \$985,216).

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 one or more of the following matters being successfully realised:

- (i) the availability of equity and financing facilities to fund working capital requirements;
- (ii) realising value from its assets through joint ventures or outright sale;
- (iii) the ability for the directors to scale back activities in order to preserve cash when required; and
- (iv) continuing financial support from directors and related parties as required.

As at 31 December 2018, the Group had fully drawn its existing loan facilities.

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 financial support of its directors, current financiers, creditors and shareholders. This was demonstrated in May 2019 where certain financiers and creditors agreed to convert their debts to equity. Refer to significant events after balance date for further details.

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 POST BALANCE DATE

Trading of the Company's ordinary shares on the Australian Stock Exchange has remained subject to a voluntary suspension while the Group conducted a financial restructure.

The Company placed 64,550,000 ordinary shares to participants in a capital raising at an issue price of 5 cents which raised a total of \$3,227,500 via a combination of cash and the settlement of contractual payments or other amounts.

The Company agreed to convert amounts interest bearing debts and other amounts payable of \$5,346,411 into 107,218,225 ordinary shares issued at 5 cents each.

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

Resources & Energy Group Limited Directors' Report

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.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Gavin R.", with a horizontal line underneath.

Mr Gavin Rezos
Chairman
Sydney, 17 May 2019

Resources & Energy Group Limited
Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For the half year ended 31 December 2018

	Notes	31 December 2018 \$	December 2017 \$
Revenue from continuing operations			
Sale of gold		434,612	57,981
Mine operating costs		<u>(695,577)</u>	<u>(843,439)</u>
Gross profit		(260,965)	(785,458)
Other income	9	271,946	509
Consulting fees		(144,758)	(53,154)
Legal costs		(176,085)	(425)
Corporation maintenance expenses		(174,303)	(140,705)
Director fees		(47,554)	(66,000)
Employee benefits expense		(218,935)	(130,677)
Finance costs		(536,937)	(329,733)
Depreciation		(50,231)	(31,974)
Share-based payments expense		-	(40,589)
Other expenses		(198,794)	(141,187)
Loss before income tax		<u>(1,536,616)</u>	<u>(1,719,391)</u>
Income tax benefit		-	-
Loss after tax from continuing operations		<u>(1,536,616)</u>	<u>(1,719,391)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to the owners of Resources & Energy Group Limited		<u>(1,536,616)</u>	<u>(1,719,391)</u>
Total comprehensive loss is attributable to:			
- shareholders of Resource & Energy Group Limited		(1,532,986)	(1,723,612)
- non- controlling interests		(3,630)	4,221
		<u>(1,536,616)</u>	<u>(1,719,391)</u>
Loss per share (cents per share) – basic and diluted		(1.53)	(1.80)

This condensed 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 31 December 2018

	Notes	31 December 2018	30 June 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		25,295	108,027
Trade and other receivables		22,236	49,254
Financial assets		20,000	20,000
Total current assets		67,531	177,281
Non-current Assets			
Property, plant and equipment		429,972	457,568
Exploration and evaluation assets	5	4,628,576	1,712,668
Mine development		3,638,194	3,659,784
Total non-current assets		8,696,742	5,830,020
Total assets		8,764,273	6,007,301
Liabilities			
Current liabilities			
Trade and other payables		2,999,319	1,675,614
Interest-bearing loans and borrowings	6	3,561,410	1,151,646
Provisions		48,464	20,476
Total current liabilities		6,609,193	2,847,736
Non-current liabilities			
Interest-bearing loans and borrowings	6	1,872,848	3,476,615
Provisions		1,099,098	583,200
Total non-current liabilities		2,971,946	4,059,815
Total liabilities		9,581,138	6,907,550
Net assets/(liabilities)		(816,865)	(900,249)
Equity			
Issued capital		16,332,060	14,712,060
Share option reserve		1,575,267	1,575,267
Retained earnings		(21,089,398)	(19,556,412)
Total equity attributable to the shareholders of Resources & Energy Group Limited		(3,182,071)	(3,269,085)
Non-controlling interests		2,365,207	2,368,836
Total equity		(816,865)	(900,249)

This condensed 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 half year ended 31 December 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		434,612	-
Payments to suppliers and employees		(1,038,521)	(976,846)
Interest paid		(2,393)	(8,879)
Interest received		-	509
Net cash flows used in operating activities		(606,302)	(985,216)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(44,583)
Exploration and evaluation costs capitalised		(28,065)	(181,960)
Mine development costs capitalised		(1,039)	(28,550)
Deposits		-	100,000
Net cash flows used in investing activities		(29,104)	(155,092)
Cash flows from financing activities			
Proceeds from issue of project development notes		-	959,000
Proceeds from borrowings - related party, net		268,581	141,887
Proceeds from borrowings - other		284,093	-
Net cash flows provided by financing activities		552,674	1,100,887
Net increase/(decrease) in cash and cash equivalents		(82,732)	(39,421)
Cash and cash equivalents at beginning of period		108,027	323,710
Cash and cash equivalents at end of period		25,295	284,289

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 31 December 2018

	Issued capital \$	Share option reserve \$	Retained earnings \$	Non- controlling interests \$	Total \$
Balance at 1 July 2017	14,666,238	1,378,273	(16,128,806)	2,372,617	2,288,322
Total comprehensive income for the period	-	-	(1,723,612)	4,221	(1,719,391)
Issue of options	-	55,149	-	-	55,149
Reversal of expense on cancellation of options not vested	-	(14,560)	-	-	(14,560)
Recognition of equity component on issue of project development notes	-	245,713	-	-	245,713
Shares issued upon exercise of Class A options	22,911	(22,911)	-	-	-
Cost of raising of equity component on issue of project development notes	-	(70,259)	-	-	(70,259)
Balance at 31 December 2017	14,689,149	1,571,405	(17,852,418)	2,376,838	784,974
Balance at 1 July 2018	14,712,060	1,575,267	(19,556,412)	2,368,836	(900,249)
Total comprehensive income for the period	-	-	(1,532,986)	(3,630)	(1,536,616)
Share issue	1,620,000	-	-	-	1,620,000
Balance at 31 December 2018	16,332,060	1,575,267	(21,089,398)	2,365,207	(816,865)

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 Condensed Consolidated Financial Statements For the half year ended 31 December 2018

1 Corporate information

Resources & Energy Group Limited (the "Company") is a listed public company incorporated and domiciled in Australia. The consolidated financial statements for the half year ended 31 December 2018 comprise the Company and its controlled entities (together referred to as the "Group").

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

The consolidated financial statements were approved by the Board of Directors on 17 May 2019.

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

2 Summary of significant accounting policies

a Basis of preparation

This condensed consolidated financial report for the half-year ended 31 December 2018 has been prepared in accordance with *Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Australian Securities Exchange's listing rules.

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 31 December 2018, the Group's current assets of \$67,531 (30 June 2018: \$177,281) were less than current liabilities of \$6,609,193 (30 June 2018: \$2,847,736).

Current liabilities of \$6,609,193 included an amount of \$2,334,350 being the estimated current portion of unsecured interest bearing liabilities and payables of \$2,999,319.

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

For the 6 months ended 31 December 2018 the Group reported a loss before taxation of \$1,536,616 (2017: \$1,719,391), and net cash used by operating activities was \$606,302 (2017: \$985,216).

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 one or more of the following matters being successfully realised:

- (i) the availability of equity and financing facilities to fund working capital requirements;
- (ii) increases in revenue and cash flows from trading;
- (iii) realising value from its assets through joint ventures or outright sale; and
- (iv) continuing financial support from directors and related parties as required.

Resources & Energy Group Limited

Notes to the Condensed Consolidated Financial Statements For the half year ended 31 December 2018

As at 31 December 2018, the Group had fully drawn upon existing its loan facilities.

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 financial support of its directors, current financiers, creditors and shareholders. This was demonstrated in May 2019 where certain financiers and creditors agreed to convert their debts to equity. Refer to significant events after balance date for further details.

A raising of new capital and the conversion of existing liabilities into share capital has been completed subsequent to year end as detailed in Note 12.

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 New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant and effective for the current period. The application of these Standards has not had a material impact on the reported financial position or performance of the Group.

Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* on 1 July 2018. Changes to accounting policies are described below.

AASB 15 Revenue from Contracts with Customers

AASB 15 introduces a changed process for revenue recognition based on identifying when performance obligations are met. Revenue from sale of goods are recognised by the Group when the goods are transferred to the customer, namely from the time the customer gains controls of the goods. The application of AASB 15 is not materially different from the previous standard in terms of recognition of revenue from sale of goods (gold) . Application of AASB 15 did not impact the way in which the Group accounts for revenue from sale of goods.

Resources & Energy Group Limited

Notes to the Condensed Consolidated Financial Statements For the half year ended 31 December 2018

AASB 9 Financial Instruments

AASB 9 sets out new requirements for the classification and measurement of financial assets and liabilities and include forward-looking expected loss impairment model. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The adoption of AASB 9 did not have a significant effect on the company's accounting policy relating to financial liabilities. Trade receivables is the only financial asset that has been impacted by the adoption of the standard, specifically the measurement basis for the impairment of trade receivables which is now based on expected credit loss (ECL). When determining the credit risk for trade receivables, the Group uses quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment including forward looking information. Given the prudent approach to estimating losses on receivables in accordance with the previous standards, the Group did not need to adjust the estimated recoverability of trade receivables on transition to AASB 9.

d Critical accounting estimates and judgements

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

Going concern

The financial statements have been prepared on the basis that the Group is a going concern, refer to Note 2(b).

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.

Resources & Energy Group Limited

Notes to the Condensed Consolidated Financial Statements For the half year ended 31 December 2018

Impairment of assets

An impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the lower 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 financial year 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.

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.

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.

Equity component of converting loans

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

Resources & Energy Group Limited

Notes to the Condensed Consolidated Financial Statements (continued) For the half year ended 31 December 2018

3 Segment information

As at the date of this report, the Group has two operating segments: gold mine exploration and development and other activities (primarily corporate costs). 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.

	Gold \$	Other \$	Total \$
Results for the half year to 31 December 2018			
Segment revenue			
Revenue	434,612	-	434,612
Discount on acquisition	-	271,946	271,946
	434,612	271,946	706,558
Segment expenses			
Mine operating costs	695,577	-	695,577
Administration and employment costs	-	933,791	933,791
Depreciation, impairment and amortisation	26,638	50,231	76,869
Finance costs	-	536,937	536,937
	722,215	1,520,959	2,243,174
Loss after tax from continuing operations	(287,603)	(1,249,013)	(1,536,616)
Segment assets	8,696,742	67,531	8,764,273
Segment liabilities	6,609,193	2,971,946	9,581,138
Results for the half year to 31 December 2017			
Segment revenue			
Income	57,981	-	57,981
Segment expenses			
Mine operating costs	843,438	-	843,438
Administration and employment costs	-	572,227	572,227
Depreciation, impairment and amortisation	26,793	5,181	31,974
Finance costs	-	329,733	329,733
	870,231	907,141	1,777,372
Loss after tax from continuing operations	(812,250)	(907,141)	(1,719,391)
Segment assets	5,306,054	422,676	5,728,730
Segment liabilities	1,402,230	3,541,526	4,943,756

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

	2018	2017
	\$	\$
4 Finance costs		
Interest expense - Project Development Notes	283,613	119,360
Project Development Notes - equity component amortisation	247,384	210,373
Interest expense - related party (refer Note 7)	5,940	-
Total finance costs	536,937	329,733

5 Exploration and evaluation assets

	Gold	Total
At 31 December 2018		
Cost	4,628,576	4,628,576
Accumulated depreciation and impairment	-	-
Net carrying amount	4,628,576	4,628,576

Movement in exploration and evaluation assets		
Carrying amount at the beginning of the period	1,712,668	1,712,668
Acquisition of a subsidiary (refer Note 9)	2,371,945	2,371,945
Additions	28,065	28,065
Recognition of mine rehabilitation liability	515,898	515,898
Depreciation charge for the year	-	-
Carrying amount at the end of the period	4,628,576	4,628,576

	Gold	Total
At 30 June 2018		
Cost	1,712,668	1,712,668
Accumulated depreciation and impairment	-	-
Net carrying amount	1,712,668	1,712,668

Movement in exploration and evaluation assets		
Carrying amount at the beginning of the period	1,581,148	1,581,148
Additions	131,520	131,520
Depreciation charge for the year	-	-
Carrying amount at the end of the period	1,712,668	1,712,668

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.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

6 Interest-bearing loans and borrowings

	31 December 2018	30 June 2018
	\$	\$
Current - unsecured		
Borrowings - owed to related party (interest bearing)	144,000	144,000
Borrowings - owed to related party (non-interest bearing)	616,210	341,690
Borrowings - project development notes issue 1	1,018,213	483,200
Borrowings - project development notes issue 2	1,316,138	-
Borrowings - other	466,849	182,756
	3,561,410	1,151,646
Non-current - unsecured		
Borrowings - project development notes issue 1	1,018,213	1,449,599
Borrowings - project development notes issue 2	854,635	2,027,016
	1,872,848	3,476,615

7 Issue of equity securities

During the half-year reporting period the following changes occurred in issued equity securities:
32,400,000 ordinary shares at an issue price of \$0.05 each were issued in consideration for the acquisition of 100% of Menzies Goldfield Limited (refer Note 9).

8 Asset backing and earnings per share

	31 December 2018	30 June 2018
	cents per share	cents per share
Basic and diluted earnings per share (continuing operations) (cents per share)	(1.53)	(3.53)
Basic and diluted assets per share (continuing operations) (cents per share)	(0.82)	(0.93)
	31 December 2018	30 June 2018
	\$	\$
The following reflects the income and share data used in the basic and diluted earnings per share calculations:		
Loss attributable to shareholders of the Company used in the calculation of basic and diluted earnings per share	(1,532,986)	(3,427,606)
Weighted average number of ordinary shares for basic earnings per share	99,904,715	96,990,631
Effect of dilution of share options on issue (i)	-	1,000,000
Weighted average number of ordinary shares adjusted for the effect of dilution	99,904,715	97,990,631

Resources & Energy Group Limited

Notes to the Financial Statements (continued)

For the half year ended 31 December 2018

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

9 Business Combination

On 21 December 2018 the Company acquired 100% of the issued share capital of Menzies Goldfield Limited, which owns mining lease interests in the region east of the township of Menzies, Western Australia. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:	\$
Cash payable	480,000
Ordinary shares issued	1,620,000
Total purchase consideration	<u>2,100,000</u>

The fair value of the 32,400,000 ordinary shares issued as part of the consideration for Menzies Goldfield Pty Limited (previously Menzies Goldfield Limited) (\$2,100,000) was based on the price the Company was able to raise capital by the issue of shares.

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

	Fair value
	\$
Assets acquired at fair value - exploration expenditure	2,900,000
Liabilities acquired at fair value	<u>(528,055)</u>
Net assets and liabilities acquired at fair value	2,371,945
Discount on acquisition recognised in profit or loss	<u>(271,945)</u>
Total purchase consideration	<u>2,100,000</u>

Purchase consideration - cash outflow:

Outflow of cash to acquire Menzies Goldfield Limited	
Cash consideration	480,000
Amount unpaid at reporting date	<u>(480,000)</u>
Net cash flow	<u>-</u>

Acquisition related costs of \$285,000 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

The accounting for the acquisition of Menzies Goldfield Pty Limited has been determined on a provisional basis as at 31 December 2018 as the fair value assigned to the acquiree's identifiable assets and liabilities has only been determined provisionally. Any adjustment to these provisional values as a result of completing work on the fair value 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.

Resources & Energy Group Limited
Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

10 Tenement lease commitments

	31 December 2018	31 December 2017
	\$	\$
<i>Minimum expenditure commitment on tenement leases</i>		
The Group held three exploration mineral licences in relation to the Mount Mackenzie Mine and three exploration mineral licence in relation to the Radio mine as at 31 December 2018.		
Committed but not provided for and payable:		
Within one year	347,300	815,281
One year or later and no later than for five years	1,013,488	1,410,619
	1,360,788	2,225,900

11 Related party disclosures

Key management Personnel

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

	2018	2017
	\$	\$
Fees payable for the provision of accounting, administration, and consulting services	123,750	272,520
Fees payable for arranging of capital	-	101,640

An amount of \$524,112 is unpaid as at the reporting date and is included in Trade and Other Payables.

A related party of Mr Richard Poole advanced \$144,000 to the Group during a prior period. The unsecured borrowing bears annual interest at 8.25% and \$5,940 was recognised as an expense during the period (2017: \$5,940).

Other related parties of Mr Poole also have amounts owed to them by the Company. During the financial period amounts advanced by these entities were \$268,580 (2017: \$239,500). At the end of the financial period the net amount owed by the Company to these related entities of Mr Poole was \$760,210. This amount is unsecured. An undertaking has been received from related parties that no repayment of at call loans due from the Group will be required unless the Group has sufficient additional financial resources to meet such repayments.

Resources & Energy Group Limited

Notes to the Financial Statements (continued)

For the half year ended 31 December 2018

12 Events after balance sheet date

Trading of the Company's ordinary shares on the Australian Stock Exchange has remained subject to a voluntary suspension while the Group conducted a financial restructure.

The Company placed 64,550,000 ordinary shares to participants in a capital raising at an issue price of 5 cents which raised a total of \$3,227,500 via a combination of cash and the settlement of contractual payments or other amounts.

The Company agreed to convert amounts interest bearing debts and other amounts payable of \$5,346,411 into 107,218,225 ordinary shares issued at 5 cents each.

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

13 Controlled entities

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

Name	Country of incorporation	% Equity interest	
		2018	2017
Mount Mackenzie Pty Limited	Australia	100.00%	100.00%
Radio Gold Pty Limited	Australia	100.00%	100.00%
Resource & Energy Operations Pty Limited	Australia	100.00%	100.00%
Menzies Goldfield Pty Limited (previously Menzies Goldfield Limited)	Australia	100.00%	na
Deep Energy Pty Limited	Australia	51.85%	51.85%

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 31 December 2018 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001, including compliance with International Financial Reporting Statements as issued by the International Accounting Standards Board as stated in Note 2 of the financial statements.
- (b) The Chief Executive Officer has declared that:
 - (i) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view.
- (c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Mr Gavin Rezos
Chairman

Sydney, 17 May 2019

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 half-year ended 31 December 2018, 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 review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

LNP Audit and Assurance Pty Ltd



Robert Nielson
Director
Sydney, 17 May 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RESOURCES AND ENERGY GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Resources and Energy Group Limited and controlled entities (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2018, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resources and Energy Group Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134 *Interim Financial Reporting and the Corporation Regulations 2001*.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2(b) of the condensed consolidated financial report, which indicates that Group incurred a net loss before taxation of \$1,536,616 (2017: \$1,719,391) during the half year ended 31 December 2018 and as of that date, the Groups current liabilities exceeded its current assets by \$6,541,662. As stated in Note 2(b), these events or conditions along with other matters as set forth in Note 2(b) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Key Audit Matters

Key matters are those matters that, in our professional judgment, were of most significance in our review of the financial report of the current period. These matters were addressed in the context of our review of the financial report as a whole, and in forming our conclusion thereon, but we do not provide a separate conclusion on these matters. For each matter below, our description of how our review addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's Responsibilities for the review of the Financial Report section of our report, including in relation to these matters. Accordingly, our review included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the

INDEPENDENT AUDITOR’S REVIEW REPORT (CONTINUED)

financial statements. The results of our review procedures, including the procedures performed to address the matters below, provide the basis for our conclusion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
<p><i>Mine Exploration and Development costs</i></p> <p>The balance sheet of the group includes mine exploration and development exploration expenditure of \$8,266,770. The assessment of the recoverability and lack of impairment of exploration assets incorporates significant judgement in respect of factors such as strategy to recover them, future production prospects and levels, commodity prices, operating and capital availability and costs and economic assumptions such as discount, inflation, and foreign exchange rates.</p> <p>No impairment indicators were noted for mine assets during the current year. All exploration expenditure relating to Deep Energy was fully impaired in the previous financial years upon relinquishment of the geothermal license.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Testing the design and operation of internal controls over valuation of these assets including those to determine any impairments; • Evaluating the Group’s assumptions and estimates used to determine the recoverable amount of assets, including those relating to method of recovery, production, cost, capital expenditure, discount rates and foreign exchange rates; • Validating the mathematical accuracy of cashflow models and agreeing relevant data to underlying information and assumptions; and • Assessing the adequacy of the Group’s disclosures in respect of asset carrying values and impairment testing.
<p><i>Estimation of Minerals and Ore Reserves</i></p> <p>Estimation of mineral resource and ore reserves is determined in accordance with the JORC code by a competent person. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. These estimations can have a material effect on the financial report such as:</p> <ol style="list-style-type: none"> a) Classification of assets into exploration and evaluation, or development and production; b) Testing fair value of asset for impairment; c) Estimating the useful life or units of production to determine the appropriate amortisation charge; and d) Calculation of restoration/ rehabilitation provision 	<p>Our procedures were in accordance with <i>ASA 620 Using the Work of an Auditors Expert</i>, and included;</p> <ul style="list-style-type: none"> • We assessed the competency and objectivity of management expert (both internal and external experts) in the estimation process; • Evaluated the adequacy of the work; • Understood the process and controls surrounding the estimation process; and • We considered whether recognition of a provision for mine rehabilitation at balance date was required.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)**Director's Responsibility for the Half-Year Financial Report**

The directors of Resources and Energy Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Resources and Energy Group Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the Resources and Energy Group Limited and controlled entities for the half-year ended 31 December 2018 included on the website Resources and Energy Group Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

If users of this report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

Independence

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

LNP Audit and Assurance Pty Ltd

A handwritten signature in black ink, appearing to read 'RN', with a long horizontal stroke extending to the right.

Robert Nielson

Director

Sydney, 17 May 2019