
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 December 2017

Resource Generation Limited (the “Company” or “Resgen”) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine (“the mine”) in South Africa’s Waterberg region. The Waterberg accounts for around 40% of the country’s currently known coal resources. The Coal Resources and Coal Reserves for the Boikarabelo Coal Mine, held through the Company’s operating subsidiary Ledjadja Coal, were updated in 2016 based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement 23 January 2017 - In accordance with Listing Rule 5.23.2 the Company confirms that it is not aware of any new information that would impact on the reported Coal Resources and Coal Reserves). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment (BEE) subsidiary operating under South Africa’s Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice.

Resgen’s primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

Project Funding

Previous Shareholder communications included reference to an alternative funding proposal and an expectation that the relevant lenders’ credit approval processes and signed terms sheets would be concluded by (initially) end September/early October 2017 and (then subsequently) late October/early November 2017. Although the proposed lenders have completed their due diligence investigations and credit submissions, one of the lenders was unable to fix meetings of its credit committee due to the intervention of the year-end holidays. The Company is unable to forecast with any certainty the outcome of the credit approval process and when any signed terms sheets will be received but is conducting its own internal planning on these milestones being achieved by end February/early March 2018.

The proposed facility under negotiation is intended to provide the total funds required to complete the construction of the mine to the point of commissioning, but does not include the costs of constructing the rail link.

The Company has received legal advice that the funding proposal will require approval of Shareholders under ASX Listing Rule requirements. An independent expert based in Australia has been identified and has been briefed on the funding proposal currently under negotiation and will be instructed to prepare a report for Shareholders. Any such report will need to contain a detailed synopsis of the proposed funding and financial implications. An extraordinary general meeting of Shareholders would then be called for the purpose of considering and approving the funding proposal.

In parallel the Company is continuing to progress negotiations with respect to the funding of the rail link with a number of interested parties. The cost of the rail link is estimated to be approximately R650 million (approximately A\$68.4 million). A further announcement in respect of this funding will be released in due course.

Ramp-up costs for the mine are estimated to be approximately R300 million (approximately A\$31.5 million). Management believes these funds can be raised when required from commercial banks, as the Project will have been substantially de-risked at that point in time.

Offtake Agreement

The Company, through its subsidiary, Ledjadja Coal (Pty) Ltd (LCL), executed an agreement with Noble Resources International Pte Ltd (Noble) for the supply of additional uncontracted coal to be produced from the mine (ASX Announcement 11 December 2017). The grant to Noble of this first right of refusal to purchase any additional uncontracted coal to be produced from the mine arose during negotiations of an extension to the Facility Agreement (ASX Announcement 14 March 2017). Performance of the Offtake Agreement is subject to receipt of relevant regulatory/shareholder approvals.

LCL has agreed to offer to sell and deliver to Noble a committed quantity of 800,000 tonnes of coal per annum, plus up to 300,000 tonnes of coal per annum as advised by LCL to Noble on a quarterly basis for years 1 to 3; and from year 4 onwards, up to 200,000 tonnes of coal per annum as advised by LCL to Noble on a quarterly basis.

Working Capital Facility

The Company executed a further extension of the Facility Agreement of 3 March 2014, under which Noble agreed to make available additional funds of up to US\$3.8 million to LCL to fund the operations and development of the mine whilst project funding is secured (ASX Announcement 7 December 2017). The total facility made available to the Company is now US\$32.2 million. The additional funds are to be made available on the same terms as the existing facility and can be drawn in monthly tranches over the period to 31 March 2018.

Board of Directors

During the quarter, Mr Peter Watson was appointed as a Non-Executive Director of the Company (ASX Announcement 23 November 2017). Peter is appointed to the Board following the resignation of Mr Denis Gately as a Non-Executive Director of the Company. The appointment ensures continued compliance with the Corporations Act requirement for a public company to have two Australian resident directors.

Mr Lulamile Xate was appointed as Chairman following the resignation of Mr Gately.

Capital Structure and Cash Position

The Company's summarised capital structure at 31 December 2017 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,750,000
Cash at bank:	\$1.8 million

Shareholders and potential investors should also review the Company's 2017 Annual Report, the audited Financial Report for the year ending 30 June 2017 and the Interim Financial Report

for the six months ending 31 December 2016 to fully appreciate the Company's financial position.

Mining Tenements

The coal mining rights and exploration tenements held at the end of the quarter were as follows:

- MPT 169 MR (74%)
- PR678/2007 (74%)
- PR720/2007 (74%)

The Company has no interest in farm-in or farm-out agreements.

The Mining Right Application for Waterberg No. 1 was lodged at the end of 2015. Waterberg No.1 encompasses the farm Koert Louw Zyn Pan (PR678/2007) and is adjacent to the Boikarabelo Coal Mine.

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the mine and contain minimal resources that have not been included in the declared JORC resource.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes
Company Secretary

RESOURCE GENERATION LIMITED

Corporate information

Directors

Lulamile Xate	Non-Executive Chairman
Rob Croll	Non-Executive Director
Manish Dahiya	Non-Executive Director
Colin Gilligan	Non-Executive Director
Leapeetswe Molotsane	Non-Executive Director
Dr Konji Sebati	Non-Executive Director
Peter Watson	Non-Executive Director

Company secretary

Mike Meintjes

Registered office

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Company contacts

Lulamile Xate +27 11 010 6310
Rob Lowe +27 11 010 6310

Media contacts

South Africa	Australia
Russell and Associates (Marion Brower) t: +27 11 880 3924 42 Glenhove Rd, Johannesburg 2196 Gauteng, South Africa	Citadel MAGNUS (James Strong) t: +61 2 8234 0100 Level 15, 61 York Street, Sydney NSW 2000, Australia

Competent Persons' Statements

The information contained in this Quarterly Report which relates to estimates of the Coal Resources and Coal Reserves for the Boikarabelo Coal Mine is based on and accurately reflects reports prepared by Competent Persons named beside the respective information in the table below. Mr Riaan Joubert is the Principal Geologist employed by Ledjadja Coal. Mr Ben Bruwer is a Principal Consultant with VBKom (Pty) Ltd (VBKOM).

Summary of Competent Persons responsible for the Coal Resources and Coal Reserves for the Boikarabelo Coal Mine

Competent Person	Area of Competency	Professional Society	Year of Registration	Membership Number
Riaan Joubert	Coal Resources	SACNASP*	2002	400040/02
Ben Bruwer	Coal Reserves	SAIMM**	1994	701068

*SACNASP - South African Council for Natural Scientific Professions

**SAIMM - Southern African Institute of Mining and Metallurgy

The above-named Competent Persons both consent to the inclusion of material in the form and context in which it appears in this Quarterly Report. Both individuals are members of a Recognised Professional Organisation in terms of the JORC Code 2012, and both have a minimum of five years' relevant experience in relation to the mineralisation and type of deposit being reported on by them to qualify as Competent Persons as defined in the JORC Code 2012.

Neither Mr Bruwer, nor VBKOM, has a material interest or entitlement, direct or indirect, in the securities of Resource Generation Limited. Mr Joubert holds no shares in Resource Generation Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(2,178)	(3,568)
(c) production	-	-
(d) staff costs	(904)	(1,875)
(e) administration and corporate costs	(505)	(997)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	61	126
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/refunded	(1)	(1)
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,527)	(6,315)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(1)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(6 months)
		\$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	(1)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	647	4,810
3.6 Repayment of borrowings	(648)	(1,300)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(1)	3,510
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,140	4,682
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,527)	(6,315)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(1)

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	3,510
4.5	Effect of movement in exchange rates on cash held	218	(46)
4.6	Cash and cash equivalents at end of period	1,830	1,830

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	29
5.2	Call deposits	5,111
5.3	Bank overdrafts	-
5.4	Other (contract retentions)	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,140

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

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-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors' remuneration and consulting fees

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

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
• Unsecured loan (note 1)	41,256	37,028
• Unsecured loan (note 2)	3,744	3,744
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Note 1 The Company has a Facility Agreement under which Noble Resources International Pte Ltd has agreed to make available funds of up to US\$32.2 million to the Company's subsidiary, Ledjadja Coal (Pty) Ltd, to fund the operations and development of the Boikarabelo Coal Mine whilst funding to complete the project is secured. US\$28.9 million has been drawn down as at 31 December 2017. The loan is repayable in quarterly instalments over 78 months commencing in April 2018 and has an annual interest rate of 10.75%.

Note 2 EHL Energy (Pty) Ltd constructed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction was subject to a deferred payment plan with interest payable at the ABSA Bank prime lending rate plus 3%. The loan is unsecured and amounted to ZAR82.5 million. There are 7 quarterly instalments remaining to be paid as at 31 December 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(2,234)
9.3 Production	-
9.4 Staff costs	(1,120)
9.5 Administration and corporate costs	(450)
9.6 Other – repayment of borrowings	(660)
9.7 Total estimated cash outflows	(4,464)

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

Compliance statement

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

Sign here: 
(Company secretary)

Date: 25 January 2018

Print name: MICHAEL MEINTJES

Notes

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