
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 March 2018

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

During the quarter there was continued progress in relation to securing credit approvals from the proposed funding syndicate for the development of the mine (Funders) (ASX Announcements: 8 March and 29 March 2018). The Company is working closely with all Funders to ensure that requested information is available for the respective credit approval processes.

The board meeting to consider a recommendation to Shareholders regarding the Funders’ credit approved term sheets has had to be delayed to 1 June 2018 due to a minor slippage in one of the approval processes and to allow time to address feedback from these approvals. The Company will keep the market updated on progress, in accordance with its continuous disclosure requirements, in the lead up to this meeting.

Following the end of the quarter (ASX Announcement: 16 April 2018), the Company advised that the Industrial Development Corporation of South Africa Limited (IDC) is the first of these Funders to approve the proposed funding and a Bilateral Senior Loan Facility Agreement (Facility Agreement) has been executed with the Company’s subsidiary, Ledjadja Coal (Pty) Ltd, to confirm the IDC’s commitment to the Project.

The Facility Agreement, whilst binding on the parties, is dependent on a number of Conditions Precedent, including but not limited to:

- Resgen Board and Shareholder approval of the funding Term Sheets with the Funders;
- Completion of a Common Terms Agreement (CTA) with the other two Funders, the finalised Facility Finance Documents becoming unconditional and all required securities being registered;
- All lower ranking components of the proposed funding package having been drawn down;

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- The Project becoming fully funded including arranging separate rail link financing; and
 - No material adverse changes arising (to be specified in the CTA).

In essence, the Facility Agreement serves to bind the parties to advance or draw the senior debt funds for the Project subject to completion of, amongst others, the Conditions Precedent listed above.

Key terms in the Facility Agreement have been limited to:

- Specifying the quantum of IDC's commitment to the senior debt component of the proposed funding package which is R540m;
- Specifying an interest rate which is linked to JIBAR (Johannesburg Interbank Agreed Rate) with a margin of 6% during construction and 5% thereafter;
- Specifying a Facility Raising Fee, due at the time of Financial Close, of 1.5% and a cancellation fee of 1% applicable to any undrawn amounts under the Facility;
- A long stop date for completion of all Conditions Precedent of 28 February 2020 which would be an automatic termination of the Agreement unless agreed otherwise; and
- All further terms and conditions are referenced to a CTA to be negotiated when, and if, the remaining Funders secure credit approvals and the Term Sheets are approved by all parties.

Working Capital Facility

The Company has agreed a further extension of the Facility Agreement of 3 March 2014 (Facility), under which Noble Resources International Pte Ltd will make available additional funds of up to US\$2.5m to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL) to fund operations whilst project funding is secured. The total Facility made available to the Company is now US\$34.7m.

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 July 2018.

Key terms associated with the extension of the Facility include:

- The additional funds together with the existing fully drawn Facility of US\$32.2m (see ASX Announcements: 14 March 2017 and 7 December 2017) are unsecured and subject to a parent company guarantee of LCL's obligations under the agreement;
- The funding to be provided in monthly instalments over the period May to July 2018;
- Interest accrues at 10.75% pa and can be capitalised on a six-monthly basis unless the borrower elects otherwise to pay such interest; and
- The initial Facility of US\$20m is now repayable in instalments commencing from 1 August 2018 (previously 1 April 2018) with a termination date of 31 December 2024, however the additional funds made available under the extension of the Facility (US\$14.7m) are repayable from the proceeds of the first drawdown of any facility agreement for any project financing for the Project.

CEO Arrangements

During the contract extension discussions during the second half of last year the then CEO, Rob Lowe, indicated a desire to stand down from the role shortly after Financial Close and to then support the business transition to the mine development phase. The Board, in consultation with the proposed Funders, decided to commence this transition process early with the Board's Nomination Committee being tasked to conduct a market search using an industry qualified recruitment agency in South Africa. This process is currently in progress. Effective 8 March 2018, Rob Lowe stood down as CEO and assumed the role of Advisor - Project Funding focusing exclusively on achievement of Financial Close and first drawdown of funds. Rob will remain with the Company on a full-time basis assisting with project start-up activities until completion of his contract on 31 December 2018. Leapeetswe (Papi) Molotsane, a Non-Executive Director, was appointed as Interim Managing Director and CEO on a month to month basis through to Financial Close, or until the appointment of a replacement CEO. Papi had already been assisting the project funding workstreams and has the full support of Rob Lowe in pursuing Financial Close.

Capital Structure and Cash Position

The Company's summarised capital structure at 31 March 2018 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,750,000
Cash at bank:	\$3.5 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 2017 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	Independent Non-Executive Director
Manish Dahiya	Non-Executive Director
Colin Gilligan	Independent Non-Executive Director
Leapeetswe Molotsane	Independent Non-Executive Director
Dr Konji Sebati	Independent Non-Executive Director
Peter Watson	Independent Non-Executive Director
Greg Hunter	Alternate Non-Executive Director for M. Dahiya

Company Secretary

Mike Meintjes

Registered office

Level 1, 17 Station Road
Indooroopilly, QLD 4068, Australia
Telephone: +27 11 010 6310
Facsimile: +27 86 539 3792
Website: www.resgen.com.au

Mailing address

South Africa	Australia
PO Box 5384 Rietvalleirand 0174 Gauteng, South Africa	PO Box 126 Albion QLD 4010, Australia

Company contacts

Lulamile Xate	+27 11 010 6310
Leapeetswe Molotsane	+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 March 2018

Consolidated statement of cash flows	Current quarter	Year to date (9 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	(701)	(4,269)
(c) production	-	-
(d) staff costs	(876)	(2,751)
(e) administration and corporate costs	(368)	(1,365)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	49	175
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/refunded	-	(1)
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,896)	(8,211)
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	(9 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	3,865	8,675
3.6 Repayment of borrowings	(631)	(1,931)
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	3,234	6,744

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,830	4,682
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,896)	(8,211)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(1)

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,234	6,744
4.5	Effect of movement in exchange rates on cash held	288	242
4.6	Cash and cash equivalents at end of period	3,456	3,456

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	121
5.2	Call deposits	1,709
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)	1,830

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

141

-

- 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	9
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	

Office rental and associated services

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)	45,195	41,939
• Unsecured loan (note 2)	3,420	3,420
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\$34.7 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\$32.2 million has been drawn down as at 31 March 2018. The loan is repayable in quarterly instalments over 78 months commencing from 1 August 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 6 quarterly instalments remaining to be paid as at 31 March 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(1,812)
9.3 Production	-
9.4 Staff costs	(1,289)
9.5 Administration and corporate costs	(546)
9.6 Other – repayment of borrowings	(682)
9.7 Total estimated cash outflows	(4,329)

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: 30 April 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.