
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 June 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 coalfield. The Waterberg coalfield 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

Progress during the quarter

The Company announced the execution of a Bilateral Senior Loan Facility Agreement (ASX Announcement: 16 April 2018) between the Industrial Development Corporation of South Africa Limited (IDC) and its subsidiary Ledjadja Coal (Pty) Ltd. The IDC is the first party of the proposed mine development funding syndicate (Syndicate) to secure credit committee approval.

In the Quarterly Activities Report released on 30 April 2018 and subsequent market updates on 10 May and 4 June 2018, the Company noted slippage in the credit approval process for one of the remaining two Syndicate members and a delay to the proposed board meeting for considering finalised credit approved term sheets from the Syndicate. Whilst both of these parties have confirmed ongoing commitment to funding of the Boikarabelo Project, one of these parties requested further information before proceeding with their process. The additional information requested revolved around:

- (i) mitigation of counterparty credit risk exposures during the period that Noble Group Limited (Noble) finalises its restructure plans; and
- (ii) the specific plans to secure working capital for the ramp-up of the mine.

In late June 2018, the Company provided a written response to the above concerns raised by the Lender and has received confirmation from the Lender’s Deal Team that the responses to matters raised were acceptable and would enable completion of the credit approval submission.

Subsequent to quarter end

At a meeting held on 27 July 2018 the Board received an update from the Lender's Deal Team. It is understood that the credit submission is complete and has the support of the Lender's Deal Team, although it is yet to be tabled for credit approval. The Company has been informed that the delay now relates to a broad-based internal review of the Lender organisation's ESG investment criteria.

The Board is concerned about this unexpected delay and has agreed to intensify and facilitate engagement with this Lender over the coming fortnight given the advanced status of the submission. In addition, a contingency plan will be triggered given the importance of reaching financial close without further delay. At this time the Board believes that it is not prudent to set a timetable for final credit approvals and will keep the market informed in accordance with its continuous disclosure obligations.

Noble has agreed in principle to extend the working capital facility through to October 2018 as well as extending the due date for commencing repayment – see further detail below.

Rail Link Funding

The Company has been able to identify a number of parties interested in funding the required rail link for the Project. Due diligence activities and discussions continue with the objective of securing the offer of credit approved term sheets.

Uncontracted Tonnage Offtake Agreement

As announced on 14 March 2017, as part of the extension of the Facility Agreement dated 3 March 2014 the Company agreed to grant Noble a first right of refusal to purchase any additional uncontracted coal to be produced from the mine. The Uncontracted Tonnage Offtake Agreement was entered into on 11 December 2017 and the Company indicated that the Agreement was subject to receipt of relevant regulatory approval or failing which shareholder approval would be required. The required regulatory approval has now been secured in order for the contract to become effective.

Coal Resources and Coal Reserves Statement at 30 June 2018

The Company has updated the previously released Coal Resources and Coal Reserves Statement (ASX Announcement 23 January 2017), in particular updating the Waterberg #1 Coal Resources to comply with the JORC Code 2012.

There has been no material change to the previously reported Coal Resources and Coal Reserves as a result of this update. This is summarised as follows:

COAL RESOURCES	Inferred Resource	Indicated Resource	Measured Resource	Total Resource
	Mt	Mt	Mt	Mt
Ledjadja #1 S & Ledjadja #3 ⁽ⁱ⁾	-	84.0	910.8	994.8
Ledjadja #1 N & Ledjadja #2 ⁽ⁱⁱ⁾	1,479.6	-	-	1,479.6

Waterberg #1 ⁽ⁱ⁾	-	981.1	-	981.1
Total – 30 June 2018	1,479.6	1,065.1	910.8	3,455.5
Total – 30 June 2017	1,479.6	635.7	1,337.1	3,452.4

(i) Determined by applying the JORC Code 2012

(ii) This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

COAL RESERVES	Probable Reserve
	Mt
Ledjadja #1 S & Ledjadja #3 ⁽ⁱ⁾	267.1
Total – 30 June 2018	267.1
Total – 30 June 2017	267.1

(i) Determined by applying the JORC Code 2012

2018 Draft Mining Charter

The 2018 Draft Mining Charter was gazetted on 15 June 2018 for comment. A consultation process with key stakeholders is ongoing and the Company has initiated a review of the proposed requirements. Resgen supports the South African Minerals Council's stated approach to the draft Charter. At this point it would be premature to comment on any possible impacts on the future operations of the Company.

IPP

Due to current funding constraints, further Resgen studies and preparation of a submission in anticipation of a further round under the Department of Energy's (DoE) "Coal Independent Power Producer Procurement Programme" (Coal IPP) have been put on hold. It is now likely that this will only be progressed once the mine has been commissioned.

Working Capital Facility

Subsequent to the end of the Quarter, the Company has been in negotiations with Noble Resources International Pte Ltd for a further extension of funds under the Facility Agreement of 3 March 2014. This arrangement is currently being finalised and an announcement will be made at the time of executing an agreement.

Capital Structure and Cash Position

The Company's summarised capital structure at 30 June 2018 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,700,000
Cash at bank:	\$1.7 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%)

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

The Mining Right Application for Waterberg #1 was lodged at the end of 2015 and the Company is awaiting the outcome of this process. Waterberg #1 encompasses the farm Koert Louw Zyn Pan (PR678/2007) and is adjacent to the Boikarabelo Coal Mine.

Subsequent to the end of the Quarter, the Company received confirmation of a closure certificate issued by the DMR in respect of the Lisbon and Zoetfontein tenements that were issued under PR720/2007. These tenements were distant from the Boikarabelo Coal Mine and contained minimal Coal Resources that were not included in the declared JORC Coal Resources Statement.

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	Interim Managing Director and CEO
Dr Konji Sebati	Independent Non-Executive Director
Peter Watson	Independent Non-Executive Director
Greg Hunter	Alternate Non-Executive Director for M. Dahiya

Joint Company Secretaries

Mike Meintjes and Brendan O'Regan

Registered office

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Media contacts

South Africa
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Competent Persons' Statements

The information contained in this Quarterly Report relates to estimates of Coal Resources and Coal Reserves 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 Dawie van Wyk is a Contract Geologist previously contracted 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

Competent Person	Area of Competency	Professional Society	Year of Registration	Membership Number
Riaan Joubert	Coal Resources	SACNASP*	2002	400040/02
Dawie van Wyk	Coal Resources	SACNASP*	1983	401964/83
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 consent to the inclusion of material in the form and context in which it appears in this Quarterly Report. All are members of a Recognised Professional Organisation in terms of the JORC Code 2012 and 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. Neither Mr Joubert nor Mr van Wyk hold 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")

30 June 2018

Consolidated statement of cash flows	Current quarter	Year to date (12 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	(976)	(5,245)
(c) production	-	-
(d) staff costs	(975)	(3,726)
(e) administration and corporate costs	(342)	(1,707)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	43	218
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	(2,250)	(10,461)
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	(12 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	1,460	10,135
3.6 Repayment of borrowings	(619)	(2,550)
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	841	7,585
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,456	4,682
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,250)	(10,461)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(1)

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	841	7,585
4.5	Effect of movement in exchange rates on cash held	(318)	(76)
4.6	Cash and cash equivalents at end of period	1,729	1,729

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	92	21
5.2	Call deposits	1,637	3,435
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)	1,729	3,456

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

181

-

- 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	15
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		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Add notes as necessary for an understanding of the position</i>			
8.1	Loan facilities		
	<ul style="list-style-type: none"> • Unsecured loan (note 1) • Unsecured loan (note 2) 	46,873 2,542	44,982 2,542
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 at 30 June 2018 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\$33.3 million has been drawn down as at 30 June 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% (an extension of the repayment date is currently under negotiation and is expected to be finalised before the due date).

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 5 quarterly instalments remaining to be paid as at 30 June 2018.

9. Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	-
9.2	Development	(2,274)
9.3	Production	-
9.4	Staff costs	(1,176)
9.5	Administration and corporate costs	(335)
9.6	Other – repayment of borrowings	(591)
9.7	Total estimated cash outflows (prepared on the basis that additional working capital is secured as noted in the Quarterly Activities Report)	(4,376)

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 July 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.