



30 October 2018

ASX Announcement

## Extension of Facility Agreement

Resource Generation Limited (ASX:RES) (**ResGen** or **Company**) announced to the market on 13 September 2018 that a conditional agreement had been reached with Noble Resources International Pte. Ltd. (**Noble**) to provide additional working capital through to 31 March 2019 by way of an amendment to the facility agreement originally entered into between Noble and Ledjadja Coal (Pty) Ltd (**Ledjadja**), which is the subsidiary through which ResGen holds its interest in the Boikarabelo Coal Mine project, in March 2014 (**Facility Agreement**). ResGen is the guarantor of Ledjadja's obligations under the Facility Agreement.

One of the conditions of the revised funding arrangement with Noble was that ResGen grant security for the obligations of itself and its subsidiary, Ledjadja, to Noble under the Facility Agreement. The parties have now agreed that the security to be provided will be a Share Pledge over ResGen's interest in 74% of the shares in Ledjadja, which are held by another ResGen subsidiary, Resgen Africa Holdings Limited (**RAHL**). As Noble is a Substantial Shareholder in ResGen, the grant of this security by RAHL will require ResGen Shareholder approval (or an appropriate ASX waiver) under ASX Listing Rule 10.1.

In addition to the requirement to provide the Share Pledge, ResGen advises that the key terms of the amendments to the Facility Agreement that have been agreed with Noble are as follows:

- extending the current Working Capital Facility (a component of the Facility Agreement) by an additional US\$4.7m. The total commitment under the Facility Agreement now totals US\$41.9m;
- interest rate of 10.75% pa with penalty interest applicable on a default;
- amending the first date for repayment of the Facility from 1 November 2018 to 30 June 2019;
- satisfaction of certain conditions precedent to be able to commence drawdown of further funds under the Facility Agreement, including:
  - a) such certifications and opinions as Noble may require; and

- b) obtaining a waiver from the ASX (either unconditionally or on conditions satisfactory to the Lender (in its absolute discretion)) of ASX Listing Rule 10.1 in respect of the entry into, and enforcement of, the Share Pledge;
- repayment of all of the further advances made by Noble under the Facility Agreement with accrued interest (**Subsequent Advances**) out of the first advance received under any project funding arrangement (at which point the Share Pledge must be released if required by the Project funders). The initial US\$20m plus accrued interest to be repaid in equal monthly instalments of principal and interest to 31 December 2025;
- ResGen convening a general meeting of its Shareholders no later than 1 December 2018 to consider and, if thought fit, pass a resolution approving the grant of the Share Pledge to Noble and any exercise of any of the powers under the Share Pledge by Noble for the purpose of ASX Listing Rule 10.1; and
- all costs associated with negotiation and documentation to be borne by ResGen or its subsidiaries.

In early October 2018, the Company submitted an application to ASX seeking a waiver of ASX Listing Rule 10.1 to permit the Company, including its wholly owned subsidiary RAHL, to grant security over its assets, including shares held by the RAHL in Ledjadja in favour of Noble to secure the Company's obligations under the Facility Agreement in respect of advances of up to US\$41.9 million without obtaining Shareholder approval. The Company is now pleased to advise that the ASX has granted this waiver, subject to certain conditions that are described below.

Approval of the Listing Rule waiver allows the Company to grant the security requested by Noble without Shareholder approval. Assuming the other conditions precedent to drawdown are satisfied, the Company expects to make its first drawdown of the additional funds being advanced by Noble during November 2018. ResGen is then planning to seek approval for the granting of the Share Pledge at the Company's Annual General Meeting scheduled to be held on 30 November 2018. The Notice of Meeting, which will include a report from an independent expert in relation to the proposal, is being finalised and will be circulated to Shareholders on or about 30 October 2018.

The conditions set out in the waiver that have been granted to the Company by ASX are that:

- The Share Pledge include a term that if an event of default occurs and Noble exercises its rights under the Share Pledge, neither Noble or any of its associates can acquire any legal or beneficial interest in an asset of the Company or RAHL in full or part satisfaction of the Company's obligations under the Share Pledge, or otherwise deal with the assets of the Company or RAHL without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or a receiver or manager (or analogous person, including without limitation an administrator or liquidator)

appointed by Noble exercising its power of sale under the Share Pledge and selling the asset to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to Noble in accordance with their legal entitlements. The Company confirms that a term drafted on this basis will be included in the Share Pledge;

- providing a summary of the material terms of the Facility Agreement and Share Pledge in each Annual Report during the term of the Facility Agreement;
- Any variation to the terms of the Share Pledge which is not a minor change or inconsistent with the terms of the waiver must be subject to Shareholder approval;
- the Company and Noble must seek to discharge the Share Pledge when the funds advanced to Ledjadja are either repaid, or if it is not discharged, seek Shareholder approval for the continuation of the Share Pledge for any further period; and
- that the Company releases to the Market an announcement which sets out the terms of the waiver, including:
  - the Company's plans with respect to the repayment of the funds advanced under the Facility Agreement, and discharge of the Share Pledge, including the timeframe within which it expects repayment and discharge to occur (as to which, see the details regarding repayment terms and release arrangements for the Share Pledge set out in the summary of the amendments made to the Facility Agreement above); and
  - a statement of the reasons why the Company has chosen to obtain further funding and grant security to Noble, a Listing Rule 10.1 party, rather than a lender that is not a Listing Rule 10.1 party, and the steps that the Board took to satisfy itself that the transaction was being entered into is on arm's length terms and is fair and reasonable from the perspective of the Company's Shareholders.

In relation to the last item listed above, the following is noted:

- the Company requires additional working capital funding to reach Financial Close for funding of the Project, which is not presently expected to occur before 31 March 2019;
- the Company determined that, if no further funding was obtained, it would be likely to exhaust its current working capital funding sometime in November 2018;
- the Company considered the available sources of funding to meet this need and identified Noble as the only party that was in a position to make a firm commitment within the relevant timeframe;
- the terms proposed by Noble were consistent with those previously negotiated and agreed under the Facility Agreement with the exception of the grant of the Share Pledge. Currently, the only security provided by the Company is a parent guarantee for the performance of the obligations of Ledjadja and those obligations are not secured against any specific assets of the Company or its subsidiaries; and

- the Directors of the Company have sought and obtained an opinion on the transaction from an Independent Expert which concludes that the grant of the Share Pledge is fair and reasonable to Shareholders as a whole. A copy of this Independent Expert Report will be attached to the Notice of Meeting to be despatched to Shareholders on or about 30 October 2018.

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Chairman

For and on behalf of the Board

**About Resgen:**

*Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal 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 operating subsidiary Ledjadja Coal, were recently updated 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 subsidiary (BEE) 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.*

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