
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 September 2018 (Quarter)

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

During the Quarter the Company indicated that it was pursuing a tandem approach to finding a funding solution (ASX Release: 20 August 2018). This approach involved:

1. Continuing to engage with the proposed lending syndicate (Syndicate) and more specifically the Lender delaying its credit committee approval processes due to a broad-based internal review of the organisation’s ESG investment criteria; and
2. Subject to due diligence, to structure involvement by a third party as a substitute funder in the Syndicate or as a complementary participant in the Syndicate.

Towards the end of the Quarter the Company received a commitment from the Lender referred to in 1 above to table a funding proposal prepared by the Deal Team for credit committee approval (ASX Release: 13 September 2018) and, if secured, final Lender Board approval by the end of October 2018. Consequently, the Board agreed to prioritise this funding route and dedicate all time and resources to securing a favourable outcome.

Notwithstanding the priority assigned securing a funding outcome with the Syndicate referred to in 1 above, engagement and due diligence planning continued to be progressed with the interested third party funder referred to in 2 above.

In early September 2018, the Company recalibrated the funding calendar for achieving Financial Close and determined that this is likely to only occur towards the end of Q1 in 2019. Consequently, this highlighted the need to secure additional working capital to allow an orderly conclusion to the funding process. In this regard a conditional agreement was reached with Noble Group (Noble) (ASX Release: 13 September 2018) to provide the projected additional working capital requirements through to 31 March 2019. This agreement included the following terms and conditions:

- extending the current Working Capital Facility (a component of the Facility Agreement) by an additional US\$4.7m;
- amending the first date for repayment of the Facility from 1 November 2018 to 1 April 2019;
- granting of new security to secure Resgen and Ledjadja Coal's obligations to Noble under the Facility Agreement;
- executing full form documents effecting the necessary amendment to the Facility Agreement and the additional security documents;
- Resgen and Ledjadja Coal obtaining all necessary internal and regulatory approvals or waivers in respect of all documents being entered into; and
- all costs associated with negotiation and documentation to be borne by Resgen.

Subsequent to quarter end

The Company updated all Independent Technical Expert Reports (Technical, Marketing, Environmental and Legal) and submitted these to the Syndicate preparing their credit committee submission. The Company has received confirmation of completeness of the documentation from the Deal Team and an indication that the submission will occur during the week commencing 29 October 2018. Where credit committee approval is secured, the proposal will then be tabled for their Board approval at the November 2018 meeting.

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.

EPC Contracts

The Company executed three separate contracts with Sedgman (South Africa) (Proprietary) Limited and Sedgman Pty Limited (collectively Sedgman) for the Boikarabelo Coal Mine (ASX Release: 1 August 2018) relating to the following:

- The engineering design, construction and commissioning of the CHPP;
- The operations and maintenance for the CHPP; and
- The construction of ancillary works relating to the infrastructure of the mine.

Under the provisions of the CHPP contract, Sedgman will design, procure, construct and commission the CHPP for the processing of 15 million tons of raw coal per annum.

Under the provisions of the Operations and Maintenance contract, Sedgman will operate and maintain the CHPP for 4 years post commissioning subject to strict performance criteria.

Under the Ancillary Works contract, Sedgman will undertake construction of infrastructure associated with the CHPP and additional infrastructure including buildings, piping, electrical, water and drainage during the mine development phase.

Working Capital Facility

The Company agreed a further extension of the Facility Agreement of 3 March 2014 (Facility), under which Noble Resources International Pte Ltd made 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 (ASX Release: 1 August 2018). The total Facility made available to the Company at Quarter end was US\$37.2m. The additional funds are being made available on the same terms as the existing Facility and are being drawn in monthly tranches over the period to 31 October 2018.

Subsequent to quarter end

The Company agreed a further extension of the Facility Agreement of 3 March 2014 (Facility), under which Noble Resources International Pte Ltd made available additional funds of up to US\$4.7m to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL) to fund operations whilst project funding is secured (ASX Release: 30 October 2018). The total Facility made available to the Company is now US\$41.9m.

Capital Structure and Cash Position

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

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,700,000
Cash at bank:	\$1.9 million

Shareholders and potential investors should also review the Company's 2018 Annual Report and the audited Financial Report for the year ending 30 June 2018 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.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes
Joint 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 and 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 engaged 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
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. Both 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. 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")

30 September 2018

Consolidated statement of cash flows	Current quarter	Year to date (3 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	(1,768)	(1,768)
(c) production	-	-
(d) staff costs	(1,060)	(1,060)
(e) administration and corporate costs	(397)	(397)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	29
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/refunded	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,196)	(3,196)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(3 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	-	-

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	3,937	3,937
3.6 Repayment of borrowings	(583)	(583)
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	3,354	3,354

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,729	1,729
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,196)	(3,196)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,354	3,354
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	1,886	1,886

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	52	52
5.2	Call deposits	1,834	1,834
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)	1,886	1,886

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**

174

-

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

Directors' remuneration

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 <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)	51,541	50,155
• Unsecured loan (note 2)	2,026	2,026
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\$37.2 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\$36.2 million has been drawn down as at 30 September 2018. The loan is repayable in quarterly instalments over 78 months commencing from 1 November 2018 and has an annual interest rate of 10.75% (an extension of the facility and repayment date is currently under negotiation and is expected to be finalised before the due date). The Company has provided a Parent Company Guarantee for the Facility.

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 4 quarterly instalments remaining to be paid as at 30 September 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(3,773)
9.3 Production	-
9.4 Staff costs	(1,174)
9.5 Administration and corporate costs	(410)
9.6 Other – repayment of borrowings	(573)
9.7 Total estimated cash outflows (prepared on the basis that additional working capital is secured as noted in the Quarterly Activities Report)	(5,930)

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: 31 October 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.

