
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 December 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

During the Quarter the Company updated all Independent Technical Expert Reports (Technical, Marketing, Environmental and Legal) and submitted these to the Syndicate Lender (ASX Announcement 12 November 2018) preparing their Credit Committee submission. The Lender’s Deal Team confirmed that this Lender remains committed to the Project from a technical, commercial and strategic perspective and that they were satisfied with the content of the updated Expert Reports.

Management maintained regular contact with the Lender’s Deal Team over this period in anticipation that both Credit Committee and subsequent Board approval could be finalised before the Christmas break in South Africa. When it became apparent in early December 2018 that this timeline would not be met, the Company elevated the priority of progressing (in tandem) a mitigation strategy through an alternative funding option with a party or parties as a substitute in the current proposed Lending Syndicate (first reported in ASX Announcement 20 August 2018).

This further delay has impacted the targeted date for financial close of 31 March 2019 as disclosed in our 2018 Annual Report. The Board and Management have therefore been focused on strategies to conserve cash and/or secure any required additional financial support whilst a new timetable can be determined with the appropriate level of certainty to advise Shareholders.

Plans for the forthcoming quarter

Since reopening the office in early January 2019, the Company has re-engaged with members of the Lending Syndicate (see credit approval process outlined in ASX Announcement: 3 March 2018) as this remains the preferred option. These discussions have indicated that this alternative is worthy of prioritising in the forthcoming quarter.

Shareholders are cautioned that the further plans for the forthcoming Quarter involve a number of matters outside of the control of the Company, however the broad focus of activities is anticipated to be on:

- Securing all remaining credit approvals from the Lending Syndicate for funding the mine development;
- On the basis that credit approvals are secured from all parties to the Lending Syndicate, harmonising the term sheets for any final matters that are raised through credit review;
- Finalising negotiations to secure terms for the commitment to fund the 44km rail loop and link;
- Updating all final inputs and assumptions for the two funding packages in the Base Case Financial Model (BCFM) for the Project and tabling these appropriately supported proposals for consideration and approval with the Board; and
- Proceeding with plans to schedule a meeting to secure Shareholder approval for the proposed mine development funding.

In order to reach Financial Close in a subsequent quarter (and assuming the matters above are all achieved), the focus will then be on securing Shareholder approval, preparing finance documents in accordance with the agreed common term sheets and addressing all conditions precedent for first drawdown of development funds.

Board of Directors

During the quarter, Mr Michael Gray was appointed as a Non-Executive Director of the Company (ASX Announcement 30 November 2018). Michael was appointed to the Board following the resignation of Mr Peter Watson 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 Rob Croll was appointed to the position of Lead Independent Director (ASX Announcement 30 November 2018).

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\$4.7m to the Company's subsidiary, Ledjadja Coal (Pty) Ltd (LCL) to fund operations whilst project funding is secured (ASX Announcement 30 October 2018). The total Facility made available to the Company at quarter end was US\$41.9m. The additional funds are being made available on substantially the same terms as the existing Facility and are being drawn in monthly tranches over the period to 31 March 2019. The only major change to the terms of the facility is that the total Facility is now secured by a pledge over Resgen's interest in 74% of the shares in Ledjadja, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited (RAHL).

Finance function

The Company would like to thank Mr Brendan O'Regan for his energetic and committed involvement as CFO since early 2016 and his assistance in progressing finance approvals for the development of the Boikarabelo Mine. He departs from the Company on 31 January 2019.

It is envisaged that there will be no immediate appointment of a replacement CFO. The Board is considering the allocation of his responsibilities across existing finance personnel with clear designation of the person responsible for financial reporting to the Board and Shareholders, until a replacement CFO is appointed.

Capital Structure and Cash Position

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

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,700,000
Cash at bank:	\$1.24 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	Lead Independent Non-Executive Director
Manish Dahiya	Non-Executive Director
Colin Gilligan	Independent Non-Executive Director
Michael Gray	Independent Non-Executive Director
Leapeetswe Molotsane	Interim Managing Director and CEO
Dr Konji Sebati	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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Company contacts

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Leapeetswe Molotsane +27 11 010 6310

Media contacts

South Africa
Russell and Associates (Marion Brower) t: +27 11 880 3924 42 Glenhove Rd, Johannesburg 2196 Gauteng, South Africa

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")

31 December 2018

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	(2,393)	(4,160)
(c) production	-	-
(d) staff costs	(980)	(2,041)
(e) administration and corporate costs	(449)	(846)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	46	75
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	(3,776)	(6,972)
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	(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	-	-
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	3,697	7,634
3.6 Repayment of borrowings	(569)	(1,152)
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	3,128	6,482
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,886	1,729
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,776)	(6,972)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

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)	3,128	6,482
4.5	Effect of movement in exchange rates on cash held	2	1
4.6	Cash and cash equivalents at end of period	1,240	1,240

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	212	52
5.2	Call deposits	1,028	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)	1,240	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**

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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

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	

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 <ul style="list-style-type: none"> • Secured loan (note 1) • Unsecured loan (note 2) 	58,053 1,520	53,965 1,520
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\$41.9 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\$38.95 million has been drawn down as at 31 December 2018. The loan is repayable in quarterly instalments over 78 months commencing from 30 June 2019 and has an annual interest rate of 10.75%. The Company has provided a Parent Company Guarantee for the Facility along with a pledge over Resgen's interest in 74% of the shares in Ledjadja, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited.

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 3 quarterly instalments remaining to be paid as at 31 December 2018. The Company has provided a Parent Company Guarantee for the loan.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(2,139)
9.3 Production	-
9.4 Staff costs	(895)
9.5 Administration and corporate costs	(523)
9.6 Other – repayment of borrowings	(559)
9.7 Total estimated cash outflows	(4,116)

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: 29 January 2019

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.