



12 March 2019

Ms Violetta Codreanu
Senior Adviser, Listings Compliance
ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

By email: ListingsComplianceSydney@asx.com.au

Dear Ms Codreanu

Resource Generation Limited ('RES') – Appendix 5B Query

We refer to your letter dated 7 March 2019 titled "Appendix 5B Query" which referred to the RES Appendix 5B for the period ended 31 December 2018 released to the market on 29 January 2019 and the Company's 2018 Annual Report lodged with the ASX on 8 October 2018. This letter requested a separate response to nine questions.

In this regard, we set out each question below together with our response:

- 1. Does RES expect that it will continue to have negative operating cash flows for the time being and, if not, why not?***

RES Board and Management presently expects to continue to have negative operating cash flows whilst finalising the funding through to completion of the development of the Boikarabelo Coal Mine Project in Limpopo province, South Africa (**Project**) and into ramp-up to full production. RES presently expects the development process to be completed approximately 24 months after finalising of the funding for the Project (being the development timeframe assumed in our Base Case Financial Model and first announced in our ASX release dated 14 October 2016).

- 2. Has RES taken steps, or does it propose to take steps, to raise further cash to fund its operations and, if so, what are these steps and how likely does it believe that they will be successful?**

Yes, RES is taking steps to raise further cash in the form of working capital to fund its operations through to 30 June 2019. These discussions are in-progress but no new arrangements have been finalised at the date of this letter. RES will update the market in accordance with its continuous disclosure obligations.

- 3. Does RES expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

On the basis of the arrangements referred to in the response to Question 2 being completed on a timely basis, RES presently expects to be able to continue its operations and to meet its business objective of achieving financial close for funding of the Boikarabelo coal mine as soon as possible, noting that the Company is discussing additional working capital needs through to 30 June 2019.

- 4. As RES considers its development to be integrally linked to securing funding, please explain how the delay in securing funding is impacting RES?**

The delays being experienced in securing funding for the Project will have the impact of (i) increasing the level of working capital funding that has been borrowed to reach financial close for funding of the Project as detailed in the response to Question 2; and (ii) increasing the timeframe for repaying all monies borrowed, including interest, to fund working capital through to financial close.

Monies borrowed to fund working capital plus interest will need to be repaid from cashflows generated once the mine is commissioned and in operation. This will impact the level of free cashflows to the Company from the Project at that time.

In addition, the delays have an impact on the required level of funding for the Project as a result of: (i) inflation; and (ii) FX fluctuation for non-ZAR denominated inputs. These factors are being closely monitored and where possible measures have and continue to be taken to compensate for any increased level of the funding required. In accordance with our continuous disclosure obligations we confirm that there have been no material developments to date that have required an update to the market.

- 5. In the majority of its quarterly activities reports lodged with the MAP during the period between 31 March 2017 and 31 December 2018, RES noted that it was working towards securing project funding. Whilst the reasons for the delay in securing funding have been explained, please outline what the short-term and long-term impacts are for RES as a result of the delay?**

The short-term and long-term impacts are those outlined in our response to question 4 above.

6. On page 2 of RES's quarterly report for the quarter ended 31 December 2018, it is stated that 'Shareholders are cautioned that the further plans for the forthcoming Quarter involve a number of matters outside the control of the Company'. Please explain what these matters are, and what impact they are expected to have on RES?

The paragraph referred to by the ASX in RES' quarterly report for the quarter ended 31 December 2018 stated the following:

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.*

With reference to the proposed activities listed above, the matters that are outside of the control of RES relate to:

- the timing of obtaining and securing the outstanding credit approvals which is dependent on the governance arrangements of the respective lenders;
- the ability to harmonise the proposed credit approved term sheets put forward by each of the three members of the proposed lending syndicate; and
- securing final terms from the parties who have indicated an interest in funding the rail loop for the Project.

7. Please provide an indication as to when RES expects to secure funding or, if it does not receive it by the relevant timeframe, what RES's plan of action is to secure funding or raise funds for working capital purposes in the short-term?

(a) Due to the uncertainties noted above in our response to Question 6, RES elected at 31 December 2018 to outline the proposed activities in the forthcoming quarters and not commit to a target timeframe to secure Project funding. Based on ongoing discussions with members of the lending syndicate and on the basis that all credit approvals are received shortly, RES is working to finalise, as soon as possible, and within the timeframe of the additional working capital being sought as outlined in the response to Question 2.

(b) RES's plan of action where it does not receive funding by the relevant timeframe involve either (i) engagement with a third party as substitute for any funder who is yet to finalise their credit approval processes (previously highlighted as a possibility in ASX announcements dated 20 August, 13 September, 12 November and 5 December 2018

and the quarterly report for 31 December 2018); or (ii) consider the commercial viability of a smaller scale operation which would require a lower capital outlay.

8. Please confirm that RES is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to the ASX in accordance with that rule that has not already been released to the market?

RES confirms compliance with Listing Rule 3.1 and that there is no further information about its financial condition that should be given to the ASX in accordance with that rule that has not already been released to the market.

RES also confirms that it plans to release its Half Year Financial Report to the ASX prior to the deadline of COB on Friday 15 March 2019.

9. Please confirm that RES's responses to questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of RES with delegated authority from the board to respond to the ASX on disclosure matters?

Confirmed

If you have any queries or concerns, please contact RES' company secretary, Mike Meintjes.

On behalf of the Board

A handwritten signature in black ink, appearing to be "Lulamile Xate". The signature is stylized with overlapping loops and a long horizontal stroke at the end.

Lulamile Xate
Chairman



7 March 2019

Mr Mike Meintjes
Company Secretary
Resource Generation Limited
Level 1
17 Station Road
Indooroopilly QLD 4068

By email: mmeintjes@resgen.com.au

Dear Mr Meintjes

Resource Generation Limited ('RES'): Appendix 5B Query

ASX refers to:

- A. The Appendix 5B quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform ("MAP") on 29 January 2019 (the "Appendix 5B") which reported the following:
- negative net operating cash flows for the quarter of \$3,776,000;
 - cash at the end of the quarter of \$1,240,000; and
 - estimated cash outflows for the next quarter of \$4,116,000.
- B. RES's 2018 annual report, lodged with MAP on 8 October 2018 which states that 'The Company's development is integrally linked to the following strategic focus areas'...'Securing funding and financial close: Project finance for the development of the mine is at an advanced stage with a final syndicate of debt funders to be resolved.'

Concerns about the adequacy of RES's financial condition

Based on the above information, it is possible to conclude that if RES were to continue to expend cash at the rate indicated by the Appendix 5B, RES may not have sufficient cash to continue funding its operations.

Questions and Requests for Information

Having regard to the above, ASX asks RES to respond separately to each of the following questions and requests for information:

1. Does RES expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has RES taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does RES expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. As RES considers its development to be integrally linked to securing funding, please explain how the delay in securing funding is impacting RES.
5. In the majority of its quarterly activities reports lodged with MAP during the period between 31 March 2017 and 31 December 2018, RES noted that it was working towards securing project funding. Whilst the reasons for the delay in securing funding have been explained, please outline what the short-term and long-term impacts are for RES as a result of the delay.

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6. On page 2 of RES's quarterly report for the quarter ended 31 December 2018, it is stated that 'Shareholders are cautioned that the further plans for the forthcoming Quarter involve a number of matters outside the control of the Company'. Please explain what these matters are, and what impact they are expected to have on RES.
 7. Please provide an indication as to when RES expects to secure funding or, if it does not receive it by the relevant timeframe, what RES's plan of action is to secure funding or raise funds for working capital purposes in the short-term.
 8. Please confirm that RES is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
 9. Please confirm that RES's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of RES with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Tuesday, 12 March 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in RES's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, RES's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to RES's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that RES's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in RES's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;

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- that you are not aware of any reason why the trading halt should not be granted; and
 - any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Violetta Codreanu
Senior Adviser, Listings Compliance (Sydney)