



21 May 2019

Ms Melissa Lim
Adviser, Listings Compliance
ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

By email: ListingsComplianceSydney@asx.com.au

Dear Ms Lim

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

We refer to your letter dated 16 May 2019 titled "Appendix 5B Query" which refers to the RES Appendix 5B for the period ended 31 March 2019 released to the market on 30 April 2019. This letter requested a separate response to five questions.

In this letter the ASX notes that RES has reported:

- Negative net operating cash flows for the quarter of \$2,549,000;
- Cash at the end of the quarter of \$1,427,000; and
- Estimated cash outflows for the next quarter of \$3,596,000.

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. The legal documentation underpinning the conditional agreement with Noble Group (Noble) to advance up to a further US\$2.5m (announced to the ASX releases dated 15 March 2019) in working capital is in the process of being finalised. The latest position was set out in the release to the ASX on 17 May 2019 under the heading 'ASX Listing Rule 10.1 Waiver - Additional US\$2.5m working capital funding announced in March 2019'.

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 shortly, 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 in late August or September 2019. This timing being the latest target for financial close as advised to the market in our ASX release dated 17 May 2019.

The Company is also taking additional steps to reduce overheads due to the minor slippage to the target timeline for financial close of the Project development funding (the revised timeline was advised to the market in the 31 March 2019 Quarterly Activities Report).

4. 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.

5. 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 several loops and a long horizontal stroke extending to the right.

Lulamile Xate

Chairman



16 May 2019

Reference: ODIN01718

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

By email

Dear Mr Meintjes

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

ASX refers to RES's Appendix 5B quarterly report for the period ended 31 March 2019 lodged with ASX Market Announcements Platform on 30 April 2019 (the 'Appendix 5B').

ASX notes that RES has reported:

- negative net operating cash flows for the quarter of \$2,549,000;
- cash at the end of the quarter of \$1,427,000; and
- estimated cash outflows for the next quarter of \$3,596,000.

It is possible to conclude, based on the information in the Appendix 5B 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.

In view of that, 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. 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.
5. 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 **9:00 AM AEST Tuesday, 21 May 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;
- 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.

Kind regards

Melissa Lim
Adviser, Listings Compliance (Sydney)