



17 February 2020

ASX Announcement

Market Update

Resource Generation Limited (**ASX:RES**) (**Resgen or Company**) refers to the market release on 5 December 2019 (Execution of binding agreements for the funding of the construction of the Boikarabelo Coal Mine (**Mine Funding Package**)) and the Quarterly Activities Report released on 31 January 2020 and provides the following further status update.

Shareholder approval

The Company has determined that several aspects of the arrangements contemplated by the Mine Funding Package will require Shareholder approval. An Independent Expert's Report has been commissioned for inclusion in the Notice advising Shareholders of the meeting being planned for this purpose.

The Company has recently agreed matters of factual accuracy with the Independent Expert and expects finalisation of the Report within the forthcoming week. Regulatory clearance is then required before the Notice of Meeting can be finalised, a date for the meeting fixed and the documents despatched to Shareholders.

Rail Link Funding Status

The rail link negotiations for a funding package of R750m (approx. A\$75m at current exchange rates) continue to progress. Current funding negotiations are being conducted on a non-binding basis (with no guarantee of a binding arrangement being concluded) and envisage the following structural considerations:

- Establishment of a special purpose vehicle (**SPV**) that will raise the required funds, construct, own and operate the rail link in exchange for a commercially agreed transport tariff arrangement;

- Resgen, through its partly owned subsidiary, Ledjadja Coal (Pty) Ltd (**Ledjadja Coal**), will own a 49.9% interest in the SPV in lieu of the contribution of certain assets and licences associated with the rail link; and
- Security arrangements associated with the rail link funding will be ring-fenced to the SPV i.e. there will be no impact on the security arrangements pertaining to the Project Funding Agreements.

Finalisation of a unconditional comprehensive Project Rail Link funding agreement is a condition precedent attached to the Mine Funding Package and is regarded as being on the critical path for the transaction to become effective and allow first drawdown of funds for mine construction (**Financial Close**) - see further detail below.

Conditions Precedent (CP) to achieve Financial Close

A number of funding conditions require satisfaction, deferral or may be waived by the Project Lenders before Financial Close. These conditions include those customary for Lender's to manage risk exposures in transactions of this nature and include both the Shareholder approval and rail link funding referred to above.

In addition, the following CP's are regarded as the key areas for focus by Management as they have been identified as being on the critical path for achievement of Financial Close:

- Completion of reports by Independent Technical and Environmental Advisors, appointed by and for the benefit of the Project Lenders. These Reports will include an assessment of the adequacy of the Company's capital cost estimate and confirm the integrity of the Company's base case financial model used for the purposes of negotiating the Mine Funding Package;
- Finalising the outstanding coal loading and transportation agreements between Ledjadja Coal, the Rail Link SPV and Transnet;
- Pricing review by Sedgman of the CHPP and AWP contracts as these were established more than twelve months ago;
- Conclusion of a back to back domestic coal supply agreement between Noble and a third party to the satisfaction of the other Lenders;
- Conclusion of a mining equipment funding arrangement linked to the proposed mining contract; and
- Conclusion of a Ramp-up Working Capital Facility to the satisfaction of the Project Lenders.

Target date for Financial Close

The Shareholder Meeting called for the purposes of seeking approval of the Mine Funding Package is now likely to occur in late March or early April 2020. This will result in the need to amend the target date for Financial Close to on or before 30 April 2020.

The Company has commenced discussions with Noble Group in relation to the working capital requirements for bridging the funding gap to the revised target for Financial Close.

The Company will keep the market informed regarding further progress on project funding in accordance with its continuous disclosure obligations.

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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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