



2 April 2020

ASX Announcement

Market Update

Resource Generation Limited (ASX:RES) (Resgen or Company) is pleased to provide this further market update.

COVID-19

The global outbreak of the COVID-19 virus has resulted in significant social and economic disruption as a result of the travel restrictions and social distancing/lock-down measures introduced by Governments around the world.

These measures include the South African Government's introduction of a strict 21-day stay-at-home lock-down effective from midnight South African time on Thursday 26 March 2020. In response, the Company has implemented measures to ensure continued pursuit of Financial Close for project funding but acknowledges that the restrictions pose a challenge where collaboration through face to face meetings is not possible. The Conditions Precedent to achieve Financial Close section below details that the Company is now seeking to achieve Financial Close by 30 June 2020 and this change is partly attributable to the challenges created by the steps being taken by the South African Government to contain the spread of the COVID-19 virus.

In light of the turmoil that the global outbreak of the COVID-19 virus is having on financial markets, Resgen has obtained confirmation of continued commitment and support for development of the Boikarabelo Mine from the Lenders involved with the Mine Funding Package described in the Notice of Meeting and Independent Expert's Report dispatched to shareholders in relation to the Extraordinary General Meeting of the Company scheduled for 7 April 2020 (ASX Announcement: 5 March 2020).

The Company is also monitoring the macro economic impacts of COVID-19 on the Boikarabelo Coal Mine Project such as foreign exchange and interest rate fluctuations and potential supply chain constraints. The situation remains fluid with significant foreign

exchange volatility. The USD:ZAR exchange rate used in the Independent Expert's Report dispatched to shareholders (ASX Announcement: 5 March 2020) of R14.79 average for 2020 compares with the current rate on 30 March 2020 of R17.92. The Company has not received notice from the Independent Expert that any update to its report is currently required in respect of this or any other matter. However, if the USD:ZAR exchange rate does not improve before Financial Close then repayment of the US dollar denominated working capital component of the Noble Facility Agreement (which including the further extension described below totals US\$29.15m plus interest) from first proceeds of the Mine Funding Package will require further negotiation. The situation will continue to be monitored as the Company moves towards Financial Close.

Working Capital Funding

Resgen advises that it has reached in-principle agreement with the Noble Group (**Noble**) to provide additional working capital to its partly owned subsidiary, Ledjadja Coal (Pty) Ltd (**Ledjadja Coal**), in the form of a further extension to the Facility Agreement dated 3 March 2014 as amended from time to time, including most recently on 11 December 2019 (**Facility Agreement**).

This in-principle agreement includes the following terms:

- extending the facility agreement by up to an additional US\$2.25m. This further extension is to be made available in order to facilitate the satisfactory completion or waiver of the conditions precedent to the Mine Funding Package by 30 June 2020;
- interest at a rate of 16% on the extension of the additional funds;
- amending the first date for repayment of the Facility Agreement from 31 March 2020 to 31 July 2020;
- the terms of the Valu off take agreement to be renegotiated to reflect current market norms by aligning with the Noble Export contracts as disclosed to the Borrower;
- Noble Board approval at a meeting to be held in early April 2020;
- executing full form documents effecting the necessary amendment to the Facility Agreement and any further documents required to affect any of the financial support;
- 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 and Ledjadja Coal.

The working capital component of the Facility Agreement (which excludes the Original Noble Loan of US\$20m plus accumulated interest) will be US\$29.15m plus interest

including this additional extension. This amount to be repaid from the proceeds of the Mine Funding Package upon Financial Close.

Noble is committed to supporting South Africa's transition to a low carbon future and has indicated that it is willing to work with the Company to explore other growth opportunities in the low carbon economy in the future.

Lulamile Xate, Chairman of Resource Generation commented:

"The Company is appreciative of the continued financial support from Noble and looks forward to a continuing strong partnership with Noble."

The Company's primary focus remains on achieving financial close and development of Boikarabelo Mine. However exploring other low carbon opportunities in the South African market will be put on the agenda for the Board's strategic planning in the longer term and this would include consideration of the supply of clean coal and other low carbon energy consistent with the new global energy narrative."

Conditions Precedent (CP) to achieve Financial Close

Whilst progress continues to be made in addressing the key CPs associated with achieving Financial Close, no binding arrangements are yet in place. These negotiations will continue to be actively pursued under the COVID-19 restrictions referred to above. However, the Company advises that it is now seeking to achieve Financial Close by 30 June 2020.

The Company has confirmed with the Independent Expert that this change in target date for Financial Close does not impact their opinion that the transaction is fair and reasonable as set out in the Independent Expert's Report dispatched to Shareholders (ASX Announcement: 5 March 2020).

The Common Terms Agreement executed with the Lenders on 5 December 2019 included a condition requiring Financial Close to be achieved on or before 31 March 2020 (drop-dead date). The Company can advise that an extension to 30 June 2020 has now been agreed and the documentation to record the extension is currently in progress.

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

Lulamile Xate
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.

Forward looking statements

This announcement contains certain forward-looking statements. Forward-looking statements include those containing words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of ResGen. To the maximum extent permitted by law, the directors of ResGen, ResGen and any of its related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfillment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

For further information please contact:

Mike Meintjes, Company Secretary on mmeintjes@resgen.com.au or +61 413 706 143

Media enquiries:

South Africa: Marion Brower/ Charmane Russell on +27 11 880 3924