
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 March 2020 (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

On 5 March 2020, the Company dispatched a Notice of Meeting to Shareholders (with an Independent Expert’s Report attached) for consideration at an Extraordinary General Meeting (EGM) to be held on 7 April 2020. Shareholders were asked to consider approval of the proposed Mine Funding Package (ASX Announcement: 5 December 2019) recommended by Directors. Subsequent to quarter end, Shareholders voted overwhelmingly in favour of approving the Mine Funding Package with 99.6% of votes cast being in favour.

The global outbreak of the COVID-19 virus has resulted in Governments introducing significant social and travel restrictions creating significant economic uncertainty. In light of these circumstances, Resgen has continued to engage constructively with the Mine Funding Package Lenders to ensure continued commitment and support for development of the Boikarabelo Coal Mine (**Mine**).

The Company is monitoring the impacts of the COVID-19 pandemic on future plans including the macro-economic impacts such as foreign exchange rates, supply chain constraints and interest rate fluctuations. In the lead up to the EGM on 7 April 2020, the Company confirmed with the Independent Expert that no significant matters had arisen requiring an update to their Report. It should however be noted that if the USD:ZAR exchange rate does not improve before targeted Financial Close then repayment of the US dollar denominated working capital component of the Noble Facility Agreement from first proceeds of the Mine Funding Package will require further negotiation.

The Interim Financial Report for the six months ended 31 December 2019 indicated (see Note 1) that Resgen had 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**). Subsequent to quarter end the Company advised (ASX Announcement: 2 April 2020) that it had formalised the ‘in-principle’ agreement for the extension of up to US\$2.25m in additional working capital for the period to 30 June 2020. The working capital component of the Facility Agreement (which excludes the Original Noble Loan of US\$20m plus accumulated interest) will now be up to US\$29.15m plus accumulated interest including this additional extension. This amount is to be repaid from the proceeds of the Mine Funding Package upon Financial Close. The ‘in-principle’ agreement which was formalised as a Letter of Support 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 (**CPs**) 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 offtake 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 Company is now in the process of securing the required regulatory approvals and translating the arrangement into a further amendment to the Facility Agreement.

Progress continues to be made in addressing the key CPs associated with achieving Financial Close, including the requirements to secure a binding arrangement for the funding of the rail link to the Mine and access to ramp-up working capital for commencement of operations. No binding arrangements are yet in place however negotiations continue to be actively pursued under the COVID-19 restrictions referred to above. Whilst certain matters are outside of the control of the Company, the target for Financial Close by 30 June 2020 is regarded as achievable.

Brian Harvey will join the Company as Chief Finance Officer (CFO) of Resgen and Ledjadja Coal commencing 1 June 2020 (ASX Announcement: 10 February 2020). Brian has over 15 years’ experience in senior finance roles after having initially qualified and worked as a mechanical engineer. He then undertook a conversion course to obtain a BCom (Hons) and qualified as a CA (SA) in 2004. He has worked for multinational, foreign listed and JSE listed companies,

principally in the resources sector, including Weir Minerals Africa and Middle East, Royal Bafokeng Holdings Pty Ltd and Anglo American plc.

The Company will keep the market informed in accordance with its continuous disclosure obligations.

Capital Structure and Cash Position

The Company's summarised capital structure at 31 March 2020 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	3,000,000
Cash at bank:	\$0.90 million
Noble Facility – undrawn	\$US0.50 million

Shareholders and potential investors should also review the Company's 2019 Annual Report and the audit reviewed Interim Financial Report for the six-month period ending 31 December 2019 to fully appreciate the Company's financial position.

The Company has reached 'in-principle' agreement (in the form of a Letter of Support) with Noble Group regarding the extension of further working capital funding in order to reach Financial Close.

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.

Authorised for release by the Board of Directors
Yours faithfully

Mike Meintjes
Company Secretary
RESOURCE GENERATION LIMITED

Corporate information

Directors

Lulamile Xate	Non-Executive Chairman
Rob Croll	Lead Independent Non-Executive Director
Greg Hunter	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
Manish Dahiya	Alternate Non-Executive Director for G Hunter

Company Secretary

Mike Meintjes

Registered office

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Media contacts

South Africa
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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 contracted 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 Mr Joubert, or VBKOM, have material interest or entitlement, direct or indirect, in the securities of 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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	(785)	(2,377)
(c) production	-	-
(d) staff costs	(581)	(1,683)
(e) administration and corporate costs	(489)	(1,163)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	25	74
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,830)	(5,149)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) 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 equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	1,544	5,162
3.6 Repayment of borrowings	-	(526)
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	1,544	4,636

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,292	1,474
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,830)	(5,149)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,544	4,636
4.5	Effect of movement in exchange rates on cash held	(109)	(64)
4.6	Cash and cash equivalents at end of period	897	897

5.	Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	64	108
5.2	Call deposits	833	1,184
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	897	1,292

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
180
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Directors' remuneration

Payments to related parties of the entity and their associates (6.1) includes the remuneration of Directors for the quarter ending 31 March 2020.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	76,386	75,572
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	76,386	75,572
7.5 Unused financing facilities available at quarter end		814
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>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\$46.9 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 development of the project is secured. US\$46.4 million has been drawn down as at 31 March 2020. The loan is repayable in quarterly instalments over 78 months commencing from 31 July 2020 (extension agreed post quarter end) 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.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,830)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,830)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	897
8.5 Unused finance facilities available at quarter end (Item 7.5)	814
8.6 Total available funding (Item 8.4 + Item 8.5)	1,711
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.93
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<div style="border: 1px solid black; padding: 5px;"> Answer: Yes </div>	
2. Has the entity 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?	

Answer:

Yes.

1. Subsequent to quarter end the Company secured 'in-principle' agreement (in the form of a Letter of Support) with Noble for the extension of a further US\$2.25m under the Facility Agreement dated 3 March 2014, as amended from time to time. This funding will enable the Company to target Financial Close for project funding to develop the Boikarabelo Coal Mine by 30 June 2020; and
2. The Company is in the process of completing the outstanding conditions precedent to achieve Financial Close and draw-down funds under the Project Funding Agreements executed on 5 December 2019 (Mine Funding Package) by the target date of 30 June 2020.

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

Answer:

Yes, refer to 2 above.

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.

Date:30 April 2020.....

Authorised by:Resgen Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.