

RESOURCE GENERATION (RESGEN)

A MAJOR COAL RESOURCE
FOR SOUTH AFRICA



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Though based in Australia Resource Generation (Resgen) is to all intents and purposes a South African coal mining company with a strong local partner and a huge stake in the future development of that nation

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It is not hard to see why Resource Generation, a company listed on both the Australian and Johannesburg stock exchanges, was attracted to the Waterberg region of South Africa and in particular to the Boikarabelo coal mine which it has been developing since 2008. The area, in the north-east of South Africa close to the border with Botswana, is very accessible, and the quality of coal in the resource unrivalled.

The Boikarabelo coal seam, between 120 and 130 metres in depth, lies only 20 metres below the surface in terrain that is flat and easy to get at, so removal of the overburden and the creation of an open pit was an obvious and low cost solution to reach the seam, which contains a variety of different types of coal, from thermal coal used in power stations and for which there is an insatiable demand within southern Africa itself, to soft

coking coal for which there is a constant need to supply the steel producing nations of Asia, where capacity is set to continue rising over the coming decade.

The company's holdings, covering 16,000 hectares, are only 40 kilometres by road from the existing rail system that provides access to domestic markets and to the ports of Maputo, Richards Bay and Durban for export shipments. These three ports all have potential to expand their coal capacity, and there is a proposal on the table for a new railway link with Walvis Bay in Namibia as an alternative route to overseas markets.

Having declared a probable reserve of

744.8 million tonnes of coal on just 34 percent of the holding, and sitting on a total reserve of over six billion tonnes in all, the company is now very keen to get ahead and start constructing the mine, so that it can grow value for its shareholders and press forward with its strategy to develop high grade energy related resources into viable and competitive mining operations. The South African mine is key to this, and the project is now reaching a critical stage, with the exploration programme complete and all major regulatory approvals obtained. Now Resgen is putting all its efforts into securing the funding it needs.

Apart from the large open pit, the mine will have its own power plant, overburden storage and coal handling and preparation plant (CHPP). The CHPP will crush, screen and grade the coal, stockpiling it into

two main categories. Coal for export will be loaded onto rail trucks for transportation to the ports, while thermal coal for domestic use in the power generating stations of Eskom in Mpumalanga will be supplied direct, also by rail.

Coal is the major source of energy in South Africa. Production from existing mines is limited and there is expected to be an imbalance between supply and demand over the next ten years. The Waterberg coal field contains approximately 40 percent of South Africa's remaining coal resource and is considered to be the main source of coal in the future.

2015

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**Target for first
coal production**
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RSV ENCO CONSULTING (PTY) LTD



CEO, Alan Wingrove

Boikarabelo Coal Mine Project

Resource Generation, a public company listed in Australia and South Africa, is a majority shareholder in Ledjadja Coal and is in the process of developing the Boikarabelo Coal Mine Project, a major project in the Waterberg Coal Field in the Limpopo Province, South Africa. The project comprises an open pit coal mine, supporting infrastructure including a 45km rail link, Coal Handling and Preparation Plant (CHPP) facilities, bulk water supply (local well field and supplemented by supply from Lephalale) and bulk electrical power supply via the national grid.

The open pit mine will be developed in a phased approach to support both the domestic and export markets. The run-of-mine production for the first six years of operation will be at a rate of some 14.8Mtpa, delivering 3.0Mtpa of export and 3.0Mtpa domestic product. Thereafter, the mine will be expanded to more than 30.0Mtpa run-of-mine production.

RSV ENCO Consulting (Pty) Ltd ("RSV ENCO") has been involved in the development of the Boikarabelo project from the outset in November 2008 and has provided Ledjadja Coal with engineering design, procurement and project management services to date. Construction management services will be provided when the project moves to implementation.

RSV ENCO is currently busy with detailed engineering design ahead of full project implementation go-ahead which is imminent, but subject to achieving financial closure. RSV ENCO is seeking appointment as the overall Managing Consultant responsible for delivery of the project; it is expected that the EPCM services contract will be finalised and awarded shortly. The CHPP will be delivered by others on an EPCM basis, with RSV ENCO monitoring safety and overall integration management. The Rail Link detail design will be completed by others, but managed by RSV ENCO. In addition, RSV ENCO will be responsible for the management of the medical examination process for all contractor employees as well as the Safety, Health and Environment induction process on behalf of Ledjadja Coal prior to commencement of work on site. The RSV ENCO ISO 9001:2008 certified Quality Management System, which is aligned with the Project Management Body of Knowledge (PMBOK), will be fully implemented on the project.

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- BHP BILLITON – Various ESIA’s
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- CIC ENERGY CORP. – Mmamabula Project
- NORTHERN COAL – Jaglust, Mimosa Colliery
- CONTINENTAL COAL – Penumbra Coal Mine
- UNIVERSAL COAL – Kangala, Brakfontein, Roodekop: ESIA’s, IWULA and NEMWA
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That is why a ten year haulage contract that Resgen’s local BEE subsidiary Ledjadja Coal signed in June last year with South Africa’s national rail transport company Transnet is so important. Transnet Freight Rail will be carrying up to four million tonnes of coal in the first year after production starts, rising to five million tonnes in the second and continuing at an annual rate of six million tonnes. The agreement covers transport from the Waterburg to Witbank for Eskom and to the coal ports at Richards Bay and Durban for the export tonnage. “Finalisation of this Transnet contract has enabled us to progress

“THIS CONTRACT FOR DOMESTIC OFFTAKE NOW ENSURES REVENUE FOR STAGE I OF THE BOIKARABELO PROJECT IS NEARLY FULLY UNDERWRITTEN”



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finance with banks, which have confirmed they are keen to provide funding,” said Resgen’s managing director Paul Jury.

If the Transnet deal was last year’s major milestone, this year’s is undoubtedly the domestic offtake contract it announce on June 4. Under this agreement the global supply chain management company Noble Resources undertakes to purchase three million tonnes of coal every year, for eight years

after production commences, linked to loan finance. This agreement opens the door to the funding for construction of the mine, the CHPP and associated infrastructure, and

6 BILLION TONNES

Coal contained in Resgen’s Waterburg holding

detailed discussions with potential financiers of the mining equipment, materials handling equipment, the rail line and project funding are all taking place in tandem, said Jury: “This contract for domestic offtake now ensures revenue for Stage 1 of the Boikarabelo project is nearly



“FINALISATION OF THIS TRANSNET CONTRACT HAS ENABLED US TO PROGRESS FINANCE WITH BANKS, WHICH HAVE CONFIRMED THEY ARE KEEN TO PROVIDE FUNDING”

fully underwritten. It provides certainty of cash flow generation further bolstering project value. It also highlights the tangible strategic value of the relationship with Noble.” Already regular logistics meetings are being held with TFR to plan the delivery of its haulage services once production starts at Boikarabelo. TFR is making good progress with the first upgrade works on the

Thabazimbi line which will help to ensure initial capacity requirements are met.

Construction activities actually started in February this year with initial activities including the establishment of site infrastructure, roadworks and water and power connections. Tenders have been issued for longer lead time items, and now Stage 1 of the project is well under way,

with first coal confidently expected in 2015. So many major hurdles have already been overcome. With a 30-year mining right, life-of-mine development consent for construction of the mine and rail link and integrated water use licence already out of the way, the TFR deal and the Noble coal offtake agreement complete the initial stage of preparedness for production. Other offtake deals will be available when the time is right, says Jury, however two are already in place, one with India’s third largest power utility the Calcutta Electric Supply Company and Bhushan Steel.

Project funding, progressing construction and getting the mine fleet in place are priorities for this year. The current reserve

of 744 million tonnes will keep the mine in production for decades, and with perhaps seven times as much again yet to be developed, this one mine will be enough to make Resource Generation into one of the world’s most significant coal producers and a strategic contributor to the south African economy. The company does have other development interests, notably its Cameroon uranium project. But the advanced and in many ways fail-safe Boikarabelo mine is in a league of its own. **BE**

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