

## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 31 March 2016

*Resource Generation Limited (the “Company”) is developing its Boikarabelo coal mine in the Waterberg region of South Africa. This region accounts for 40% of the country’s remaining identified coal resources. There are probable reserves of 744.8\* million tonnes of coal on 35% of the tenements under the Company’s control (refer to the ASX announcement dated 16 December 2010). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.*

#### Corporate

At its meeting in Johannesburg on 18 February 2016, the board received detailed reports from the CEO and the Technical Committee on the progress of reviewing all aspects of the Boikarabelo project. Substantial progress has been made on all material fronts. Work undertaken by the Technical Committee resulted in the following recommendations:

- a revised mining plan based on selective mining and in-pit dumping with the aim of maximizing productivity and reducing operating costs;
- a different development approach to the Boikarabelo coal resource which can achieve higher CHPP yields than previously expected;
- a project development strategy that transfers mine construction risk by the appointment of a small number of reputable EPC contractors with substantial balance sheets, allowing for recourse in the event of failure or delay, and managed by a small in-house specialist owner’s team; and
- a strategy to reduce capital costs and minimize risk by appointing a suitably qualified contract miner.

The Technical Committee advised, based on market inquiries, that the currently depressed market for EPC contractor services provides an ideal opportunity to minimise mine development costs and embed a low cost of capital for the life of the Boikarabelo project.

An international search agent has been engaged to identify “best in class” candidates to be appointed to the South Africa-based in-house specialist owner’s team referred to above. The work undertaken to date by the Technical Committee has given the board an increased level of confidence in the execution of the project post completion of the debt funding and the economic prospects of the project after first production of coal.

#### Development opportunity

In order to expand the economic base of the Boikarabelo project, the preparation has been fast tracked of a bankable feasibility study for the construction of a 260MW independent mine-mouth power station to operate as an approved independent power producer (“IPP”). The project has already received the environmental and land use approvals required for the IPP. Should the feasibility study confirm economic viability, construction of the IPP will provide the Company with optionality with regard to its domestic coal production and an additional revenue stream. The project would also transit the Company from the coal sector



to the more diversified and higher-valued energy sector. Supply agreements with both the public and private sectors are being explored.

## **Infrastructure arrangements**

Our relationships with key stakeholders in South Africa including the Department of Mineral Resources and Transnet Freight Rail (“TFR”) continue to develop in a positive manner. Discussions with TFR concerning tariffs and the project’s access to the Richards Bay Coal Terminal are in progress. A successful negotiation will result in our costs of logistics being substantially reduced from earlier plans.

## **Other activities**

While the Technical Committee and project funding initiatives are in progress, little construction work is required at the mine. The focus at site is on maintenance of the facility and structures already completed and continuation of the environmental and social responsibility programs.

## **Debt funding**

On 22 January 2016, the Company appointed Grant Samuel to advise the Board in connection with the funding of the Boikarabelo Coal Mine project (“the project”). In-depth discussions, including due diligence investigations, with a number of parties concerning proposed funding solutions have taken place during the quarter. Of the proposals investigated by the Company during this period, the preferred funding solution is the debt funding referred to in previous announcements which is being negotiated with FirstRand Bank Limited, acting through its Rand Merchant Bank division (“RMB”), Hong Kong & Shanghai Banking Corporation PLC (“HSBC”), Noble Group Limited, Public Investment Corporation of South Africa SOC Limited (“PIC”), Industrial Development Corporation Limited (“IDC”), Export Finance and Insurance Corporation and UK Export Finance (collectively “the debt club”). All members of the debt club have renewed their commitment to work with the Company to finalise a commercially competitive and sustainable funding solution as soon as possible.

The strategic realignment of the project with South Africa, and the appointment of South African representatives to the Board and the appointment of a South African management team has secured a high degree of comfort and goodwill from the South African-based prospective lenders, HSBC, RMB, PIC and IDC, from whom the bulk of the debt funding will be sourced.

On 17 February 2016, the Company appointed RMB as lead arranger and co-lender for the financing of the project. RMB is a leading financier in the resource sector in South Africa and enjoys an excellent reputation for the completion of project funding packages, including a very recent R10 billion debt facility for a client despite the prevailing difficult economic climate. The Company is confident that RMB and all members of the debt club are committed to complete the funding process in the shortest time possible. In conjunction with RMB, the Company is considering other providers of funding and credible solutions will be incorporated into the debt club as required.

The Company previously made announcements on 30 September 2015 concerning a Memorandum of Understanding between the Company and HAB & JPR Privée (“HAB”), which was there described as “a Swiss private company”. The newly appointed management and Board of the Company has, since those announcements, sought clarification as to the



identity of the principals of HAB, the source of funds, the track record of the ultimate lender and the ability of HAB to provide funding as previously suggested in the 30 September 2015 announcements. The Company has not received satisfactory responses, or even confirmation that HAB is able to provide such funding. Accordingly, the Company has, on the advice of Grant Samuel and the legal advisers appointed in relation to this matter, ceased communication with HAB to pursue a funding solution.

Cash reserves as at 31 March 2016 were \$A14.7 million.

### **Mining tenements**

The coal mining rights and exploration tenements held at the end of the quarter were as follows:

- MPT15/2012 MR (74%)
- PR720/2007 (74%)
- PR678/2007 (74%)

The Company has no interest in farm-in or farm-out agreements.

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo site and contain minimal resources that have not been included in the stated JORC resource.

The Mining Right Application for Kubu, adjacent to Boikarabelo, was lodged at the end of 2015. Kubu was previously known as Waterberg No 1 and encompasses the farm Koert Louw Zyn Pan (PR678/2007).

On behalf of the Board of Directors

Yours faithfully

Mike Meintjes

Company Secretary

**RESOURCE GENERATION LIMITED**



## Corporate information

### Directors

Denis Gately	Non-Executive Chairman
Lulamile Xate	Non-Executive Deputy Chairman
Robert Croll	Non-Executive Director
Colin Gilligan	Non-Executive Director
Leapeetswe Molotsane	Non-Executive Director
Dr Konji Sebati	Non-Executive Director

### Company secretary

Mike Meintjes

### Registered office

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### Mailing address

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### Contacts

Denis Gately  
Rob Lowe

### Media

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*\* This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Wyk has given and has not withdrawn consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

31 March 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	(648)	(5,818)
	(c) production	-	-
	(d) administration	(1,377)	(5,986)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	40	170
1.5	Interest and other costs of finance paid	(2)	(5)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,987)</b>	<b>(11,639)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments (subsidiary)	-	-
	(c) other fixed assets	(280)	(930)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment (subsidiary)	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other- Mining related deposit	-	-
	<b>Net investing cash flows</b>	<b>(280)</b>	<b>(930)</b>
1.13	Total operating and investing cash flows (carried forward)	(2,267)	(12,569)

		Current quarter \$A'000	Year to date (9 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(2,267)	(12,569)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(685)	(1,249)
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(26)	(95)
	<b>Net financing cash flows</b>	<b>(711)</b>	<b>(1,344)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(2,978)</b>	<b>(13,913)</b>
1.20	Cash at beginning of quarter/year to date	18,315	28,548
1.21	Exchange rate adjustments to item 1.20	(621)	81
1.22	<b>Cash at end of quarter</b>	<b>14,716</b>	<b>14,716</b>

#### Payments to directors of the entity and associates of the directors

#### Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	318
1.24	Aggregate amount of loans to the parties included in item 1.10	-

#### 1.25 Explanation necessary for an understanding of the transactions

Directors' remuneration for the period 26 Nov 2015 – 31 March 2016 and consulting fees

#### Non-cash financing and investing activities

##### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

##### 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

#### Financing facilities available

Add notes as necessary for an understanding of the position.

**Note 1** US\$20 million was drawn down as an unsecured loan from Noble Group in March 2014. It is repayable in quarterly instalments of capital and interest over 8 years commencing in February 2017 and has an annual interest rate of 10.75%.

**Note 2** EHL Energy (Pty) Limited are building the electricity sub-station at the Boikarabelo mine which connects the mine to the grid. The construction is subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan is unsecured and repayable in 16 quarterly instalments from November 2015.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
	• Unsecured loan (Note 1 above)	26,082	26,082
	• Unsecured loan (Note 2 above)	6,353	6,353
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	(1,135)
4.3	Production	-
4.4	Administration	(2,159)
	<b>Total</b>	<b>(3,294)</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000	
5.1	Cash on hand and at bank	25	408
5.2	Deposits at call	14,607	17,797
5.3	Bank overdraft	-	-
5.4	Other (Contract retentions)	84	110
	<b>Total: cash at end of quarter (item 1.22)</b>	<b>14,716</b>	<b>18,315</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	N/A	N/A	N/A

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (\$)	Amount paid up per security (\$)
7.1	<b>+Preference securities</b> <i>(description)</i>	N/A			
7.2	Changes during quarter	N/A			
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	581,380,338	581,380,338	Various	Fully paid
7.4	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through returns of capital, buy-backs	Nil			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	N/A			
7.6	Changes during quarter	N/A			
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	Nil			
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	<b>Debentures</b> <i>(totals only)</i>	N/A			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	N/A			

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 26 April 2016

Print name: MIKE MEINTJES

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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