

## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 30 June 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 (ASX/JSE announcement: 16 December 2010). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.*

#### **Project**

The work of the Technical Committee, established by the Board in December 2015 to review all aspects of the project, has now been substantially completed. A new execution strategy has been adopted that will reduce the capital cost of the project and reduce risk through the appointment of established EPC contractors with good track records and substantial balance sheets. A new mining plan has been developed which will maximize recovery of the coal deposit by mining all seams and minimize out-of-pit dumping of waste, resulting in increased productivity and reduced operating costs. All efforts at the mine are now being directed towards having the project ready for mobilization of the first of the EPC contractors in Q4 2016.

#### **EPC Contractors**

A Heads of Agreement was concluded with Sedgman Limited (ASX/JSE Announcement: 6 May 2016) for the procurement and construction of the coal handling plant for a lump sum fixed price of US\$141 million. This represents a substantial saving over the previously announced estimate of US\$200 million.

A Request for Information was issued to seven established mining contract companies in March 2016. All seven responded and a Request for Proposal was delivered to a short list of three candidates at the beginning of June 2016 with the appointment of the mining contractor expected during July 2016.

#### **Chief Operations Officer**

Mr Zirk van der Bank was appointed as COO of Ledjadja Coal, the main operating subsidiary (ASX/JSE Announcement: 3 June 2016). Mr van der Bank is an experienced mining engineer with more than 20 years' experience in the coal mining industry. He has held a range of supervisory and management positions at Sasol Mining, Moolman Mining, Shanduka Coal and Glencore Coal SA.

#### **Project Funding**

Further progress has been made towards securing the requisite debt funding to complete construction of the project. The base case financial model (“BCFM”) has now been completed by the lead arranger and, based on the information contained in the BCFM, the project is believed to be fundable without recourse to the shareholders for further equity.

Development of a preferred capital structure is at an advanced stage and is currently being negotiated with all members of the debt club referred to in previous quarterly reports. The Board remains confident that the Company is on course to finalize the debt funding so that the balance of construction may commence during the last quarter of 2016.

In parallel with the proposed debt club funding, the Company is investigating a high level offer of funding received from a source in the United States.

Cash reserves as at 30 June 2016 were \$A12.0 million.

## **IPP**

A concept feasibility study for a 300MW coal fired power station (“IPP”) has been received and reviewed. There is a very compelling economic case for a mouth-of-mine IPP with sale of the electricity produced to the national utility or a private offtaker. The study does however indicate that 300MW IPP is not optimal and that 450MW or 600MW presents a more compelling economic case. This option is now being investigated.

## **Infrastructure arrangements**

Negotiations with Transnet Freight Rail concerning the tariff, access to Richards Bay Coal Terminal and construction of the rail link are proceeding in a very positive manner. An early resolution of these issues is expected.

## **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

Level 1, 17 Station Road  
Indooroopilly, QLD 4068, Australia

Telephone: +27 12 345 1057  
Facsimile: +27 12 345 5314  
Website: www.resgen.com.au

### Mailing address

South Africa	Australia
PO Box 5384 Rietvalleirand 0174 Gauteng, South Africa	PO Box 126 Albion QLD 4010, Australia

### Contacts

Denis Gately  
Rob Lowe

### Media

South Africa	Australia
Russell and Associates t: +27 11 880 3924 42 Glenhove Rd, Johannesburg 2196, Gauteng, South Africa	Citadel MAGNUS (Martin Debelle) t: +61 2 8234 0100 m: +61 409 911 189 Level 15, 61 York Street, Sydney, NSW 2000, Australia

*\* 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")

30 June 2016

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 mths) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	(1,152)	(6,970)
(c) production	-	-
(d) administration	(1,186)	(7,172)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	33	203
1.5 Interest and other costs of finance paid	(2)	(7)
1.6 Income taxes paid	-	-
1.7 Other	20	20
<b>Net Operating Cash Flows</b>	<b>(2,287)</b>	<b>(13,926)</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	(161)	(1,090)
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>(161)</b>	<b>(1,090)</b>
1.13 Total operating and investing cash flows (carried forward)	(2,448)	(15,016)

		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(2,448)	(15,016)
	<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)	(1,935)
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	-	(95)
	<b>Net financing cash flows</b>	<b>(685)</b>	<b>(2,030)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(3,133)</b>	<b>(17,046)</b>
1.20	Cash at beginning of quarter/year to date	14,716	28,548
1.21	Exchange rate adjustments to item 1.20	372	453
1.22	<b>Cash at end of quarter</b>	<b>11,955</b>	<b>11,955</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	202
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 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. There are 13 quarterly instalments remaining to be paid as at 30 June 2016.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities <ul style="list-style-type: none"> <li>• Unsecured loan (Note 1 above)</li> <li>• Unsecured loan (Note 2 above)</li> </ul>	26,878	26,878
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	(28,303)
4.3	Production	-
4.4	Administration	(1,073)
<b>Total</b>		<b>(29,376)</b>

**Note 1** Development expenditure above is based on securing debt funding in September 2016 so that first drawdowns can occur to allow for mobilisation to commence and up-front CPP payments to be made.

### 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	25
5.2	Deposits at call	11,860	14,607
5.3	Bank overdraft	-	-
5.4	Other (Contract retentions)	70	84
<b>Total: cash at end of quarter (item 1.22)</b>		<b>11,955</b>	<b>14,716</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 (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3	<b>+Ordinary securities</b>	581,380,338	581,380,338	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil Nil			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	<b>Options</b> <i>(description and conversion factor)</i> Performance share rights are granted under the Long Term Incentive Plan for no consideration and vest over periods ranging from one to three years with non-market based performance hurdles. Performance hurdles are linked to key development milestones.	6,250,000	Nil	The value attached to the performance share right is the share price on the day of issue.	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: 12 July 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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