

## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 30 September 2016

*Resource Generation Limited (the “Company” or “Resgen”) 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. The Company is currently updating the Probable Coal Reserves for the Boikarabelo Coal Mine (previously disclosed to the market in December 2010) as a result of completing a new mine plan and execution strategy.*

#### Project Funding

During the quarter, the Company announced (ASX Announcement 8 August 2016) that its BEE subsidiary, Ledjadja Coal (Pty) Limited, had agreed commercial terms with entities (Financing Syndicate) including but not limited to:

- FirstRand Bank Limited, acting through its Rand Merchant Bank division (RMB);
- Industrial Development Corporation of South Africa Limited;
- Public Investment Corporation SOC Limited; and
- Noble Resources International Pte Limited (Noble).

The Financing Syndicate is currently performing due diligence in order to seek the requisite approvals to secure funding to complete the construction of the Boikarabelo Coal Mine.

Resgen has also held discussions with the Export Finance and Insurance Corporation (Efic) with a view to Efic joining the Financing Syndicate. Efic has been included in discussions of the terms and has commenced with its due diligence on the project.

The Independent Technical Experts, commissioned by the Financing Syndicate, have completed their initial reports and have identified no fatal flaws in relation to the newly adopted execution strategy and mining plan. The new strategy and mining plan takes advantage of current market conditions by reducing the capital requirement and reducing risk by outsourcing construction and operations to external contractors.

As recently announced (ASX Announcement 14 October 2016) the company is working toward reaching financial close no later than March 2017. This translates into “first coal” by Q1 2019.

#### Heads of Agreement – Mining Contractor

The Request for Proposal referred to in the Report to Shareholders released to the market on 1 June 2016 has now been determined and the Company’s BEE operating subsidiary, Ledjadja Coal (Pty) Limited, selected Stefanutti Stocks Mining Services (“SSMS”) as the preferred mining contractor (ASX Announcement 4 October 2016). The Parties have concluded a Heads of Agreement containing the following salient terms:

- the parties will negotiate on an exclusive basis a detailed Term Sheet to cover mining and related services over a period of 40 days;
- thereafter the parties will negotiate the terms and conditions of a Mining Contractor Agreement (“MCA”) within 15 days; and
- formal appointment of SSMS as mining contractor will be confirmed with the parties’ execution of the MCA.

The Heads of Agreement applies until the MCA comes into force. The MCA will, at a minimum, be subject to the following conditions precedent:

- board approval by both parties of the formal agreement; and
- project funding being procured by the Company.

### **Capital structure and cash position**

The Company’s summarised capital structure at 30 September 2016 is as follows:

|                                    |               |
|------------------------------------|---------------|
| Issued fully paid ordinary shares: | 581,380,338   |
| Performance rights:                | 6,250,000     |
| Cash at bank:                      | \$8.2 million |

Shareholders and potential investors should also review the Company’s Annual Report and audited Financial Report for the year ending 30 June 2016 to fully appreciate the Company’s financial position.

### **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 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 |
| Rob 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](http://www.resgen.com.au)

### Mailing address

| South Africa  | Australia                                   |
|---|---|
| PO Box 5384<br>Rietvalleirand 0174<br>Gauteng, South Africa | PO Box 126<br>Albion<br>QLD 4010, Australia |

### Contacts

Denis Gately  
Rob Lowe

### Media

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

## 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")

30 September 2016

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| <b>1.</b>                                   | <b>Cash flows from operating activities</b>           |                                    |  |
| 1.1   | Receipts from customers                               | -                                  | -  |
| 1.2   | Payments for  |                                    |  |
|   | (a) exploration & evaluation                          | -                                  | -  |
|   | (b) development                                       | (1,529)                            | (1,529)  |
|   | (c) production  | -                                  | -  |
|   | (d) staff costs                                       | (1,123)                            | (1,123)  |
|   | (e) administration and corporate costs                | (273)                              | (273)  |
| 1.3   | Dividends received (see note 3)                       | -                                  | -  |
| 1.4   | Interest received                                     | 35                                 | 35   |
| 1.5   | Interest and other costs of finance paid              | -                                  | -  |
| 1.6   | Income taxes paid                                     | -                                  | -  |
| 1.7   | Research and development refunds                      | -                                  | -  |
| 1.8   | Other (sale of game)                                  | 203                                | 203  |
| <b>1.9</b>                                  | <b>Net cash from / (used in) operating activities</b> | <b>(2,687)</b>                     | <b>(2,687)</b>                                 |
| <b>2.</b>                                   | <b>Cash flows from investing activities</b>           |                                    |  |
| 2.1   | Payments to acquire:                                  |                                    |  |
|   | (a) property, plant and equipment                     | (82)                               | (82)   |
|   | (b) tenements (see item 10)                           | -                                  | -  |
|   | (c) investments                                       | -                                  | -  |

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| (d) other non-current assets                              | -                                  | -  |
| 2.2 Proceeds from the disposal of:                        |                                    |  |
| (a) property, plant and equipment                         | -                                  | -  |
| (b) tenements (see item 10)                               | -                                  | -  |
| (c) investments   | -                                  | -  |
| (d) 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)                   | -                                  | -  |
| <b>2.6 Net cash from / (used in) investing activities</b> | <b>(82)</b>                        | <b>(82)</b>                                    |

|   |              |              |
|---|--------------|--------------|
| <b>3. Cash flows from financing activities</b>                                  |              |              |
| 3.1 Proceeds from issues of shares  | -            | -            |
| 3.2 Proceeds from issue of convertible notes                                    | -            | -            |
| 3.3 Proceeds from exercise of share options                                     | -            | -            |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | -            | -            |
| 3.5 Proceeds from borrowings  | -            | -            |
| 3.6 Repayment of borrowings   | (695)        | (695)        |
| 3.7 Transaction costs related to loans and borrowings                           | -            | -            |
| 3.8 Dividends paid  | -            | -            |
| 3.9 Other (provide details if material)   | -            | -            |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b>(695)</b> | <b>(695)</b> |

|   |         |         |
|---|---------|---------|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1 Cash and cash equivalents at beginning of period                            | 11,955  | 11,955  |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | (2,687) | (2,687) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | (82)    | (82)    |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|--|------------------------------------|--|
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above) | (695)                              | (695)  |
| 4.5   | Effect of movement in exchange rates on cash held                | (282)                              | (282)  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b>                | <b>8,209</b>                       | <b>8,209</b>                                   |

| <b>5. Reconciliation of cash and cash equivalents</b>   | <b>Current quarter<br/>\$A'000</b>   | <b>Previous quarter<br/>\$A'000</b> |
|---|--|-------------------------------------|
| at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts |  |                                     |
| 5.1   | Bank balances  | 24                                  |
| 5.2   | Call deposits  | 8,185                               |
| 5.3   | Bank overdrafts  | -                                   |
| 5.4   | Other (contract retentions)  | 70                                  |
| <b>5.5</b>  | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b> | <b>8,209</b>                        |

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

| <b>Current quarter<br/>\$A'000</b> |
|------------------------------------|
|------------------------------------|

|     |
|-----|
| 208 |
|-----|

|   |
|---|
| - |
|---|

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

|   |
|---|
| Directors' remuneration and consulting fees |
|---|

| <b>7. Payments to related entities of the entity and their associates</b>                                | <b>Current quarter<br/>\$A'000</b> |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2                                   | -                                  |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                                  |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 |                                    |

| <b>8. Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 8.1 Loan facilities  |   |  |
| • Unsecured loan (note 1)  | 26,198  | 26,198   |
| • Unsecured loan (note 2)  | 5,852   | 5,852  |
| 8.2 Credit standby arrangements  | -   | -  |
| 8.3 Other (please specify)   | -   | -  |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |

**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 Coal 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 12 quarterly instalments remaining to be paid as at 30 September 2016.

| <b>9. Estimated cash outflows for next quarter</b> | <b>\$A'000</b> |
|--|----------------|
| 9.1 Exploration and evaluation                     | -              |
| 9.2 Development                                    | (2,677)        |
| 9.3 Production                                     | -              |
| 9.4 Staff costs                                    | (1,121)        |
| 9.5 Administration and corporate costs             | (435)          |
| 9.6 Other (provide details if material)            | -              |
| <b>9.7 Total estimated cash outflows</b>           | <b>(4,233)</b> |

| 10.  | Changes in tenements (items 2.1(b) and 2.2(b) above)                                  | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|------|---|---------------------------------|--------------------|----------------------------------|----------------------------|
| 10.1 | Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | -                               | -                  | -                                | -                          |
| 10.2 | Interests in mining tenements and petroleum tenements acquired or increased           | -                               | -                  | -                                | -                          |

### 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.

Sign here:



(Company secretary)

Date: 21 October 2016

Print name: MICHAEL 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.