



ASX: RES

19 August 2015

ASX Release

Resource Generation funding update

Resource Generation Limited (ASX: RES) has been negotiating with financiers for more than three years to secure the US\$400 million required to complete the mine and related infrastructure. The aim has been to fund construction through debt in order to avoid issuing additional equity and diluting shareholders' interest in the project. This has proved to be difficult due to changing macro-economic factors resulting in changes to the financiers' requirements.

In June 2015 the company believed it was close to an in-principle agreement with a club of financiers on the term sheet for a multi-layered funding package. Together with other funding commitments, this would have provided the necessary finance.

Finalising negotiations since have been hampered by a weakened API4 coal price forecast. As a result, in order to determine if gearing levels can be lowered, the club of financiers have now asked Resource Generation to investigate whether a contract mining model could reduce the mine's costs and capital requirement. Consequently, the company is seeking quotes from mining contractors and this process is likely to take several months to complete. Meanwhile, other sources of finance are being explored.

Paul Jury, managing director of Resource Generation, said: 'With low production costs, transport arrangements in place and a number of years' production already underwritten by sales contracts, Boikarabelo is well placed to benefit from any improved growth in global demand for coal. While weakness in the coal price forecast has delayed our securing the remaining finance to build the mine, we believe the asset is valuable and once construction is financed on acceptable terms will provide value to shareholders. Sufficient cash reserves exist for the company to operate in the medium term whilst pursuing completion of the project funding.'

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

* 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.