

*These Flashnotes have been approved for external distribution to clients only.*

<b>Stock:</b>	RES AU
<b>Name:</b>	Resource Generation
<b>Price:</b>	A\$0.24 (at 5:57, 31 Jul 12 GMT)
<b>Market Cap (m):</b>	A\$63
<b>Current valuation (DCF):</b>	A\$0.56
<b>12mth price target:</b>	A\$0.65
<b>Recommendation:</b>	Outperform
<b>Volatility index:</b>	High

#### Event

- ResGen released its quarterly report for the three months ended 30 June 2012.

#### Impact

- Banks undertaking due diligence** - Following the signing of a haulage contract with Transnet in June 2012 and successfully overcoming all major regulatory hurdles, ResGen reported that banks are now undertaking detailed due diligence before offering terms for project financing. A positive outcome in respect of debt finance will underwrite confidence in Boikarabelo's potential cashflow and increase the company's enterprise value. This should bring down the cost of the required equity funding that will be raised for the balance of Stage 1 development and working capital.
- Expected timeline on track** - Provided funding is completed by the end of 2012, the company expects to complete the construction of the mine and related infrastructure in a period of 24 months, with Stage 1 saleable production (6mtpa) beginning at the start of 2015. This is in line with our current modelling.
- Buffing up the team** - Confirming management's confidence that the project finance and equity raise will go ahead, the company has started to expand its SA management team to enable construction to begin in early 2013. Appointments made during the quarter include the General Manager of the Boikarabelo Mine and General Manager of Human Resources.

#### Action and recommendation

- We maintain an Outperform recommendation, target price of A\$0.65.

June		2011A	2012E	2013E	2014E
Sales revenue	m	0.0	0.0	0.0	0.0
EBITDA	m	-6.2	-4.4	-5.1	-5.2
EBIT	m	-6.3	-4.5	-5.1	-5.2
EBIT growth	%	-48.2	27.7	-12.2	-2.2
Recurring profit	m	-5.1	-2.7	-4.7	-16.4
Adjusted profit	m	-5.1	-1.7	-2.5	-8.7
EPS adj	¢	-2.3	-0.7	-1.0	-3.4
EPS adj growth	%	-9.7	71.3	-45.9	-245.4
PE adj	x	nmf	nmf	nmf	nmf
Total DPS	¢	0.0	0.0	0.0	0.0
Total div yield	%	0.0	0.0	0.0	0.0
Franking	%	nmf	nmf	nmf	nmf
EV/EBITDA	x	-5.1	-9.4	-8.2	-8.0
GCFPS	¢	-2.3	-0.6	-1.3	-4.6

<b>PGCFPS</b>	x	nmf	nmf	nmf	nmf
<b>Net debt/equity</b>	%	-18.2	-14.0	144.1	504.7
<b>Price/book</b>	x	0.4	0.5	0.5	0.5

\*All values are in AUD unless otherwise stated.

Source: Company data, Macquarie Research, Jul 2012.

### RES AU vs Small Ordinaries, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, July 2012

(all figures in AUD unless noted)

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