



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 September 2014

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.*

Boikarabelo mine construction

Construction of the mine's infrastructure continued during the quarter, while debt funding was being finalised, in order to shorten the overall construction time. This included:

- construction camp for up to 1,320 persons;
- rail link bridges;
- power supply infrastructure;
- construction office complex;
- rail network stabilisation facility (*NSF*);
- earthworks relating to the construction offices, power supply and the NSF;
- permanent water supply infrastructure; and
- 13 kilometres of water pipeline adjacent to public roads.

At the construction camp, services, kitchen and dining facilities have been installed for 1,320 people. Accommodation units have been installed to allow 400 persons to take up immediate occupation.

Earthworks for the rail link, access roads and provincial roads were suspended early in the quarter, following the main earthworks contractor being placed into liquidation. Its sub-contractor for the construction of bridges under and over the rail line has since been contracted directly and is on target to complete the first three bridges by the end of the calendar year.

Power supply for the construction process has been connected to the main locations. During the quarter, a contract was signed with EHL Energy (Pty) Limited to construct 132kv power transmission lines, a substation and switch room for power supply for the mining operation. Construction, which will be funded by a deferred payment facility, commenced in September and is scheduled for completion by October 2015.

The terrace for the construction offices was completed during the quarter. Services are being installed and office accommodation units are being moved on to site in the current quarter.

The earthworks for the intersection of the rail link to the main line commenced during the quarter. Once completed, the rail turnouts and associated signalling will be installed. The design of this intersection is complex, with multiple lines to allow the rearrangement of trains without delays or stoppages. The rail network stabilisation facility consists of two siding lines, one loop line and a main line by-pass and eventually will be capable of holding trains with up to 100 wagons.

Permanent water supply infrastructure continued to be installed during the quarter, including holding tanks and pumping facilities, initially from the main borehole on Zeekoevley. This infrastructure will be used during the construction of the mine and later will become one of the main water sources for mine operations.

The Marapong effluent treatment facility in Lephalale, and associated pipeline to Boikarabelo, is an integral part of the mine's social and labour plan. During the quarter, a contract was signed with Ceenex (Pty) Limited to undertake EPCM services for the construction of the treatment plant, the 58 kilometre pipeline to Boikarabelo and associated pump infrastructure. Work commenced during the quarter with the completion of two main road underpasses for the pipeline and initial construction of a 13 kilometre section of the pipeline adjacent to a main road.

All regulatory consents have been received, all necessary land has been acquired and rail haulage and port access contracts sufficient for the mine's stage 1 production have been signed.



The construction camp



Construction offices



Bridge construction on the rail link



Network Stabilisation Facility



Coal handling and preparation plant (CHPP)

During the quarter, an engineering, procurement and supply contract was signed with FLSmidth Roymec (Pty) Limited, the South African black economic empowerment subsidiary of FLSmidth & Co, the leading supplier of complete plants, equipment and services for the global minerals industry. Commencement of fabrication and supply is conditional on completion of debt funding. Meanwhile all detailed designs and specifications have been completed. In early October, a construction management contract was also signed with FLSmidth to manage the on-site mechanical and electrical installations for the CHPP.

Mobile equipment

During the quarter, Resource Generation signed a loan facility of up to US\$113 million for the full cost of the mobile equipment fleet with Komatsu Financial Limited Partnership. The term is five years from the first utilisation date. There are a number of conditions precedent for the loan including signing the sale agreement for the equipment, registration of security over the equipment and securing the balance of the debt required to complete project construction. Resource Generation will be purchasing the equipment from Komatsu Southern Africa Pty Ltd and the contract for that is close to completion.

Debt funding status

Debt funding of US\$400 million is being sought to fund the construction of all site infrastructure and the rail link, including a contingency. Project funding negotiations are still underway with banks and others to provide final funding offers. Noble Group's loans, which have been announced previously may form part of a consortium's debt finance, which is expected to have export credit agency support.

Offtake contracts

Three long-term export offtake contracts have been entered into with CESC, Valu Investments and Noble Group. These contracts underwrite most of the forecast revenue from Boikarabelo's stage 1 production and a substantial portion of stage 2 production.

A domestic offtake contract for 3.0 million tonnes per annum of middlings coal has been entered into with Noble Group for the first eight years of production.

The company's current export coal contracts (in million tonnes per annum) are as follows:

	Stage 1		Stage 2					
	Y1-Y3	Y4-Y7	Y8	Y9-12	Y13-14	Y15-20	Y21-35	Y36-Y38
CESC	1.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0
Noble	0.5	0.5	0.5	1.5	2.0	2.5	2.5	
Valu	1.0	1.0	2.0	2.0	2.0	2.0		
Total	2.5	3.5	6.5	7.5	8.0	8.5	6.5	4.0

Note. If, as expected, stage 2 production commences earlier, both CESC and Valu tonnages will increase earlier by 1.0 mtpa.



Mining tenements

The coal mining rights and exploration tenements held at the end of the quarter were as follows in South Africa (Waterberg):

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

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

Corporate

Cash reserves at 30 September 2014 were \$45.9 million.

Corporate information

Directors

Brian Warner	Non-Executive Chairman
Paul Jury	Managing Director
Steve Matthews	Executive Director
Geoffrey (Toby) Rose	Non-Executive Director

Company secretary

Steve Matthews

Registered office

Level 12, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Telephone: 02 9376 9000
Facsimile: 02 9376 9013
Website: www.resgen.com.au

Mailing address

GPO Box 5490
Sydney NSW 2001

Contacts

Paul Jury
Steve Matthews

Media

Anthony Tregoning, FCR on (02) 8264 1000

** 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, 31/9/2001.

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(124)	(124)
	(b) development	(7,615)	(7,615)
	(c) production	-	-
	(d) administration	(522)	(522)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	255	255
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Other-forfeited Blumont deposit	-	-
	Net Operating Cash Flows	(8,007)	(8,007)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments (subsidiary)	-	-
	(c) other fixed assets	(292)	(292)
1.12	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- Government charges in relation to land acquisitions and borrowings	-	-
	Net investing cash flows	(292)	(292)
1.13	Total operating and investing cash flows (carried forward)	(8,299)	(8,299)

		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(8,299)	(8,299)
	Cash flows related to financing activities		
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	-	-
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(48)	(48)
	Net financing cash flows	(48)	(48)
	Net increase (decrease) in cash held	(8,347)	(8,347)
1.20	Cash at beginning of quarter/year to date	54,337	54,337
1.21	Exchange rate adjustments to item 1.20	(46)	(46)
1.22	Cash at end of quarter	45,944	45,944

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	271
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Executive salaries and directors 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.

Two binding term sheets have been entered into with the Noble Group. A US\$55.3 million loan is available for the construction of the rail link and a US\$65 million loan is available for site infrastructure. US\$20 million has been drawn down from the rail link loan.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	137,454	22,046
3.2	Credit standby arrangements	-	-



Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(20)
4.2	Development	(13,877)
4.3	Production	-
4.4	Administration	(516)
Total		(14,413)

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	50	63
5.2	Deposits at call	45,398	53,888
5.3	Bank overdraft	-	-
5.4	Other (Contract retentions)	496	386
Total: cash at end of quarter (item 1.22)		45,944	54,337

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	N/A
6.2	Interests in mining tenements acquired or increased	N/A	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	+Preference securities (<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	+Ordinary securities	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	+Convertible debt securities (<i>description</i>)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (<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	Debentures (<i>totals only</i>)	N/A			
7.12	Unsecured notes (<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:

A handwritten signature in black ink, appearing to read "Stephen James Matthews".

Date: 29 October 2014

(Company secretary)

Print name: STEPHEN JAMES MATTHEWS

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.

=====