



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 December 2013

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. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.*

Significant progress was achieved during the quarter in securing additional funds and advancing construction activities at the Boikarabelo coal project.

PRESENT STATUS

Finance

- The 1-for-1 entitlement offer at \$0.22 per share was completed to raise a total of \$62.6 million.
- A binding term sheet for an infrastructure construction loan of US\$65 million was entered into during the quarter with the Noble Group.
- A binding term sheet is in place for a US\$55.3 million loan from the Noble Group for the construction of the rail link from the Boikarabelo mine to the existing Transnet Freight Rail network
- Funding discussions for the purchase or lease of mobile equipment are at an advanced stage with three parties.
- A binding term sheet was signed with FLSmidth for the construction of the coal handling and preparation plant (**CHPP**). Associated with this, discussions have advanced for export credit agency support.
- Negotiations continue for bank provided project finance.

Physical Progress

- Construction of Boikarabelo's mine infrastructure has continued.
- Bush clearing for the 40 kilometre rail link continued during the quarter.
- Social and labour plan projects in the local communities are in place. The first newsletter was published during the quarter and is available on the company's website.

Timetable

- Construction is expected to take two years and, subject to agreements on funding, coal production is expected to begin in December 2015.
- All regulatory hurdles have been overcome, all necessary land has been acquired, and the company has rail haulage and port access contracts sufficient for Boikarabelo's stage 1 production.

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.

PROGRESS DURING THE QUARTER

Debt Finance

Bank negotiations continued with term sheets and credit approval being sought during the quarter ended March 2014.

The main focus during the quarter was on arranging alternative sources of funding:

- A binding term sheet 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. FLSmidth will undertake the construction of the CHPP. The cost of the CHPP is now expected to be below US\$200 million, more than US\$50 million less than earlier estimates. Advanced discussions are being held with EKF, the Danish state-owned export credit agency, regarding a guarantee to cover over 50% of the cost.
- A binding term sheet for an infrastructure construction loan of US\$65 million was entered into during the quarter with Noble Resources International Pte Limited (Noble Group). The loan is on normal commercial terms and is able to be drawn down from 1 January 2014 until 31 December 2015. It is secured over the site infrastructure and is repayable in full by 31 March 2016, by which time the Boikarabelo mine is expected to be in production. The loan is expected to be refinanced at that time when the completion risk is expected to have been eliminated.
- US\$67.7 million loan facility dated 28 March 2013 from Noble Group expired on 31 December 2013 without any drawdowns having occurred.
- Funding discussions for the purchase or lease of mobile equipment are at an advanced stage with three parties.

Operational Activities

Earthworks for the development of the initial 200 person construction camp have been completed. Earthworks to expand the construction camp to 1,300 people have begun. Ground clearing for the 40 kilometre rail link from the Boikarabelo mine to the existing Transnet Freight Rail network has been substantially completed with the route cleared being 35 metres wide. Earthworks for rail line construction are now underway.

Physical receipt of rail and sleepers has also commenced.

Projects to commence shortly will be a provincial road bypass, the main mine access road and upgrading of the current access road.



Earthworks at construction camp



Bush clearing for the rail loop



Rail line earthworks



Initial construction camp units delivered to site

CORPORATE

- Cash reserves at 31 December 2013 were \$49.7 million. The A\$20 million debenture provided by Noble Group in January 2013 was repaid during the quarter.
- Blumont Group Ltd (Blumont) paid a deposit of \$2.5 million immediately following the end of the quarter. This is in relation to Blumont's commitment to the placement of 102,596,530 shares at 22 cents per share, for which payment of \$22,571,236.60 was due on 4 December 2013. The settlement of the balance, including a commercial rate of interest, is due to occur on 26 February 2014. If Blumont does not settle on 26 February 2014, the deposit of \$2.5 million will be forfeited with no issue of shares in relation thereto.



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

** 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")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(22)	(60)
	(b) development	(3,113)	(7,052)
	(c) production	-	-
	(d) administration	(3,643)	(4,434)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	454	737
1.5	Interest and other costs of finance paid	(1,002)	(1,004)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(7,326)	(11,813)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments (subsidiary)	(285)	(285)
	(c) other fixed assets	(948)	(948)
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, borrowings and development expenditure (refundable)	330	330
	Net investing cash flows	(903)	(903)
1.13	Total operating and investing cash flows (carried forward)	(8,229)	(12,716)

		Current quarter \$A'000	Year to date (6 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(8,229)	(12,716)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	52,492	62,912
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(20,000)	(20,000)
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(1,865)	(1,918)
1.19	Other (Mining Related Deposits)	-	-
1.19	Other (Cost of Borrowings)	-	-
	Net financing cash flows	30,627	40,994
	Net increase (decrease) in cash held	22,398	28,278
1.20	Cash at beginning of quarter/year to date	27,281	21,428
1.21	Exchange rate adjustments to item 1.20	(18)	(45)
1.22	Cash at end of quarter	49,661	49,661

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. The A\$20 million debenture from Noble Group was repaid.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	134,443	-
3.2	Credit standby arrangements	-	-



Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(150)
4.2	Development	(20,521)
4.3	Production	-
4.4	Administration	(529)
Total		(21,200)

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	59	51
5.2	Deposits at call	49,602	27,230
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	-	-
Total: cash at end of quarter (item 1.22)		49,661	27,281

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	PR720/2007 PR678/2007	Shareholding in Waterberg One Coal (Pty) Limited, the owner of the tenements	70% 70%	74% 74%

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	242,361,400 6,784,334 Nil	242,361,400 6,784,334	\$0.22 \$0.40	Fully paid Fully paid
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>)	1,875,000	Nil	<i>Exercise price</i> \$0.50	<i>Expiry date</i> 13/3/2014
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".

(Company secretary)

Date: 29 January 2014

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.

=====
=====