



2 March 2017

ASX Announcement

Shareholder Update

Dear fellow shareholders

The Board met on 22 February 2017 to review progress on all material contracts and actions taken in order to secure funding of the Boikarabelo Mine.

Project Funding

Since the Annual General Meeting on 23 November 2016, our key focus has been to secure agreements on the major mining and logistics contracts. These contracts are among the conditions precedent for the debt funding package, as well as being required to progress and complete the construction of the Boikarabelo Mine. By reaching agreement with supply contractors we are able to lock-in the project costs and de-risk an important element of a final debt funding agreement. This process, in turn, has created additional options for debt funding.

While this process has taken longer than originally anticipated, significant progress has been made with the Engineering, Procurement and Construction (EPC) and logistics contracts, reducing capital costs and our borrowing requirement. The summary below illustrates the activities undertaken since the AGM and current status. We are more confident than ever that this orderly and deliberate process will result in an announcement of a full funding agreement for the project based on a new target date of mid-2017.

The current status of each of the agreements and approvals required for financial closure is summarised below.

Major items completed:

- **Independent Technical Reports:**
 - Technical report completed in December 2016 (apart from commentary on material contracts – see below)
 - Environmental report completed in September 2016
 - Marketing report completed in December 2016
 - Legal due diligence report substantially completed with a small number of issues to be resolved.

The Board is satisfied that all of the above independent technical reports are supportive of the project and debt funding requirement based on the revised mine execution strategy announced on 1 June 2016.

- **EPC contracts:**

- The Coal Handling and Preparation Plant (CHPP) contract (term sheet announced on 6 May 2016): the wording of the design and construction contract with Sedgman was completed in January 2017.
- CHPP Operations and Maintenance contract: the wording of the CHPP operations and maintenance contract, also with Sedgman, was completed in January 2017.

Both contracts are currently being reviewed by the lenders.

- **Logistics:**

- Commercial terms relating to quantum, tariff and port destination (Richards Bay) have been agreed with Transnet Freight Rail (TFR)
- The Transportation of Coal Agreement is substantially completed and is scheduled for submission for review by the lenders in the near future
- Richards Bay Port Service Level Agreement is substantially completed and is scheduled for submission for review by the lenders in the near future
- Process for the allocation of port capacity at Richards Bay Coal Terminal has been agreed with TFR. Our expectation is for an allocation of 3.6 million tons per annum (Mtpa)

- **Off-take Contracts:**

- ICML 2Mtpa export off-take contract completed and signed (announced on 7 June 2011)
- Valu 1Mtpa export off-take contract completed and signed (announced on 10 July 2013)
- Noble 500,000 tpa export off-take contract completed and signed (announced on 2 April 2013)
- Noble domestic off-take contract completed and signed (note ESKOM/All Export below) (announced on 4 June 2013)

Items not yet completed (and status):

- **ESKOM/All Export**

Our preferred lenders, particularly the PIC and IDC, have expressed a preference for our domestic coal production to be sold to the state electricity generation utility ESKOM. We are in the process of discussing a Coal Supply Agreement (CSA) with ESKOM. As an alternative, we have developed a viable all export strategy which would be acceptable to PIC and IDC in the event that ESKOM is unwilling to commit to a CSA within our required timeline. Either way, we intend to conclude these arrangements by end April 2017.

- **EPC Contracts**

- Mining Contract (term sheet announced on 4 October 2016): the wording of the mining contract is at an advanced stage and scheduled for completion by 31 March 2017
- Ancillary Works Package: the wording of the contract for the ancillary works package is at an advanced stage and scheduled for completion by 31 March 2017.

- **Rail Link**

Our initial discussions with TFR during 2016 were based on preliminary advice that TFR would adopt and construct the rail link from mouth of mine to the main line siding at the commencement of construction. TFR has recently advised that capital constraints prevent it from adopting this approach but that, as an alternative, it is willing to partner with the

Company to raise the required funds of approximately R550 million to construct the link. Although this was a set-back, we are pleased to be able to report that discussions are taking place with potential funders, including South Africa Industrial Development Corporation (IDC) and Development Bank of South Africa, who have both expressed strong interest and support. We are hopeful to conclude this debt funding package by end April 2017.

- **Credit Approvals**

We believe that with the imminent conclusion of the EPC and logistics contracts, the lenders will be in a position to obtain their requisite credit/investment committee approvals. Our hope is that the lenders will have obtained credit approvals by end April 2017. We are seeking proposed dates from the lenders for this process.

Taking all factors into account, and assuming no unforeseen delays, our expectation is to conclude the debt funding arrangements by mid-2017.

Independent Power Producer (IPP)

In parallel to advancing the development of the Boikarabelo coal mine, the Company has continued to plan to also operate as an Independent Power Producer, providing another option for the domestic sale of coal. We have appointed external consultants, J Maynard and Waterborne Capital, to assist us with the selection and appointment of the main EPC contractor and preparation of a Joint Development Agreement. At the same time we are working to be ready to submit our proposal when the Department of Energy opens the next submission window. This is expected to be towards the end of 2017.

Working Capital Facility

The Company has reached an in-principle agreement for the extension of the Facility Agreement of 3 March 2014. In this regard Noble Resources International Pte Ltd proposes to make available further funds to the Company's subsidiary, Ledjadja Coal Pty Ltd, to fund the operations and development of the Boikarabelo Mine until project funding is secured. The Company is in the process of negotiating formal legal documents in order to be able to drawdown the additional funds. A further announcement will be made once the legal documents in relation to this extension are executed.

Other

The next scheduled board meeting is to be held on 26 April 2017. I intend to provide you with a further report after that time.

Yours sincerely

Denis Gately

Chairman

For and on behalf of the Board

About Resgen:

Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa's Waterberg region. The Waterberg accounts for around 40% of the country's currently known coal resources. The Coal Resources and Reserves for the Boikarabelo Coal Mine, held through the operating subsidiary Ledjadja Coal, were recently updated based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement 23 January 2017). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment subsidiary (BEE) operating under South Africa's Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice

ResGen's primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

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