
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 June 2017

Resource Generation Limited (the “Company” or “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 Coal 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 (BEE) subsidiary operating under South Africa’s Broadbased 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.

Project Funding

Meaningful progress continues to be made on securing Project Funding. In what is a complex bank project finance process, multiple contracting agreements are being negotiated in parallel with the finalisation of the independent technical reports. All major contracts are now substantially agreed and in executable format following an all-party meeting of lenders, including senior representatives and their advisers, that was held in Johannesburg on 14th June.

The purpose of the all-party meeting was to review the material EPC and logistics contracts and to address matters outstanding from the lenders’ legal due diligence. At the conclusion of the meeting, a small number of items were identified to be addressed or produced including updating the financial model, term sheet and finalisation of the funding terms of the rail link and conclusion of a Memorandum of Understanding (MOU) with ESKOM before the lenders are able to commence their respective credit approval processes. We are doing everything within our control to ensure that all outstanding items will be delivered to the lenders by no later than 31st July and this then will allow them to approach their credit approval committees to obtain the requisite credit approvals. Most of the outstanding items are either under the Company’s direct control or very likely to be delivered to the Company by third parties during July. Discussions continue with ESKOM concerning a Memorandum of Understanding and Coal Supply Agreement. These discussions will continue beyond the end of July 2017.

The all-party meeting was viewed as positive and the Company is encouraged by the support for the project shown by the lenders. The credit approval processes are estimated to be completed within approximately two months from commencement.

Rail Link

DBSA has submitted its application for credit and stage 1 of the approval process has been successful.

Transnet Freight Rail (TFR) has advised that it has received internal approval for the construction of the Network Stabilising Facility (NSF) which forms an integral part of the link between the Boikarabelo Coal Mine and the main line to the port of Richards Bay. TFR has mobilised its contractors and construction of the NSF is scheduled to be completed by Q4 2017.

Independent Power Producer (IPP)

Together with our advisers, WaterBorne Capital, we have been actively preparing for our submission for a 300MW IPP towards the end of 2017. In particular, the following work was undertaken during the current quarter:

- We submitted a full response to the Department of Energy's public request for information, detailing the mine's current status and the work done to date on the IPP. The Department has acknowledged our submission and has undertaken to take our comments into consideration;
- We have concluded a 'beauty parade' of leading law firms with the intention of making an appointment as legal counsel to the bid;
- Once appointed, the first task of the legal firm will be the preparation of the Joint Development Agreement (JDA);
- In parallel with the preparation of the JDA we are identifying local partners to join our consortium, subject to board approval;
- We have invited various insurance firms to tender for the appointment as Insurance Advisor to the bid;
- We have invited various environmental firms to tender for the appointment as Environmental Advisor to the bid; and
- A project information memorandum is currently being prepared and will be used to introduce the local commercial banks and developmental funding institutions to the project.

Once the JDA has been completed, we will commence with the process of selecting an EPC partner, again subject to board approval. It is expected that the partner will be either Japanese or South Korean as both countries have well-established credentials that are most likely to comply with the Request for Proposal (RFP) when issued by the Department. We are expecting the RFP to be released towards the end of 2017.

Working Capital Facility

The Company has drawn down two tranches under the extended Noble Facility Agreement (Facility). In line with the anticipated timing of Project Funding, discussions have been held with Noble Resources International Pte Ltd (Noble) to agree to a deferral of loan repayments that are due to commence on 30th September 2017. These discussions are on-going and the outcome will be communicated to Shareholders in due course.

Under the terms of the Facility, Noble and Ledjadja Coal were to finalise arrangements before 30th June 2017 in relation to Noble having a first right of refusal to purchase any additional uncontracted coal to be produced from the mine. The completion period has been extended by mutual agreement until 10th August 2017.

Non-Executive Director Appointment

Mr Manish Dahiya was appointed as a Non-Executive Director of the Company during the quarter. Mr Dahiya is appointed to the Board as a nominee of Noble under the terms of the extension of the Facility Agreement of 3 March 2014 (ASX Announcement: 14 March 2017). Noble is a substantial shareholder in the Company.

Capital structure and cash position

The Company's summarised capital structure at 30 June 2017 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,750,000
Cash at bank:	\$4.7 million

Shareholders and potential investors should also review the Company's Annual Report, audited Financial Report for the year ending 30 June 2016 and Interim Financial Report for the six months ending 31 December 2016 to fully appreciate the Company's financial position.

Mining tenements

The coal mining rights and exploration tenements held at the end of the quarter were as follows:

- MPT 169 MR (74%)
- PR678/2007 (74%)
- PR720/2007 (74%)

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

The Mining Right Application for Waterberg No. 1 adjacent to Boikarabelo, was lodged at the end of 2015. Waterberg No.1 encompasses the farm Koert Louw Zyn Pan (PR678/2007).

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo site and contain minimal resources that have not been included in the JORC resource.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes
Company Secretary

RESOURCE GENERATION LIMITED

Corporate information

Directors

Denis Gately	Non-Executive Chairman
Lulamile Xate	Non-Executive Deputy Chairman
Rob Croll	Non-Executive Director
Manish Dahiya	Non-Executive Director
Colin Gilligan	Non-Executive Director
Leapeetswe Molotsane	Non-Executive Director
Dr Konji Sebati	Non-Executive Director

Company secretary

Mike Meintjes

Registered office

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Media contacts

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Competent Persons' Statement

The information contained in this Quarterly Report which relates to estimates of the Boikarabelo Coal Mine Coal Resources and Coal Reserves is based on and accurately reflects reports prepared by Competent Persons named beside the respective information in the table below. Mr Riaan Joubert is the Principal Geologist employed by Ledjadja Coal. Mr Ben Bruwer is a Principal Consultant with VBKom (Pty) Ltd (VBKOM).

Summary of Competent Persons responsible for the Boikarabelo Coal Mine Coal Resources and Coal Reserves

Competent Person	Area of Competency	Professional Society	Year of Registration	Membership Number
Riaan Joubert	Coal Resources	SACNASP*	2002	400040/02
Ben Bruwer	Coal Reserves	SAIMM**	1994	701068

*SACNASP - South African Council for Natural Scientific Professions

**SAIMM - Southern African Institute of Mining and Metallurgy

The above-named Competent Persons both consent to the inclusion of material in the form and context in which it appears in this Release. Both individuals are members of a Recognised Professional Organisation in terms of the JORC Code 2012, and both have a minimum of five years' relevant experience in relation to the mineralisation and type of deposit being reported on by them to qualify as Competent Persons as defined in the JORC Code 2012.

Neither Mr Bruwer, nor VBKOM, has a material interest or entitlement, direct or indirect, in the securities of Resource Generation Limited. Mr Joubert holds no shares in Resource Generation Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(1,213)	(5,514)
(c) production	-	-
(d) staff costs	(940)	(4,043)
(e) administration and corporate costs	(461)	(1,508)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	44	140
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/refunded	-	1
1.7 Research and development refunds	-	-
1.8 Other (sale of game)	-	203
1.9 Net cash from / (used in) operating activities	(2,570)	(10,721)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(176)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(12 months)
		\$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(7)	(176)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	6,595	6,595
3.6 Repayment of borrowings	(667)	(2,730)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	5,928	3,865

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,241	11,955
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,570)	(10,721)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7)	(176)

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,928	3,865
4.5	Effect of movement in exchange rates on cash held	90	(241)
4.6	Cash and cash equivalents at end of period	4,682	4,682

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter	
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000	
5.1	Bank balances	40	43
5.2	Call deposits	4,642	1,198
5.3	Bank overdrafts	-	-
5.4	Other (contract retentions)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,682	1,241

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter
\$A'000
178
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors' remuneration and consulting fees

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities <ul style="list-style-type: none"> • Unsecured loan (note 1) • Unsecured loan (note 2) 	36,953 4,630	32,738 4,630
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Note 1 The Company has a US\$28.4 million unsecured loan facility with Noble Group. US\$25.2 million has been drawn down as at 30 June 2017. It is repayable in quarterly instalments of capital and interest over 78 months commencing in September 2017 and has an annual interest rate of 10.75%.

Note 2 EHL Energy (Pty) Limited constructed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction was subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan amounted to ZAR82.5 million, is unsecured and there are 9 quarterly instalments remaining to be paid as at 30 June 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(2,049)
9.3 Production	-
9.4 Staff costs	(1,136)
9.5 Administration and corporate costs	(380)
9.6 Other – repayment of borrowings	(2,419)
9.7 Total estimated cash outflows	(5,984)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 27 July 2017

Print name: MICHAEL MEINTJES

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.