



25<sup>th</sup> August 2017

ASX Announcement

## Shareholder Update

Since the “all party” meeting of lenders held on 14<sup>th</sup> June 2017 (see our earlier release of 21<sup>st</sup> June 2017) management has continued to finalise all material contracts for the development of the Boikarabelo mine. At its meeting in Johannesburg on 16<sup>th</sup> August 2017 the board received an update on all material developments. As the status report below indicates, demonstrable progress had been made on the material contracts and funding of the rail link; but not on the terms of the proposed coal supply to Eskom.

In the circumstances, the Board believed it would be reasonable to ask the Debt Club lenders to undertake their credit approval process to a conclusion, but on the basis that any draw down of senior debt be subject to a concluded coal supply agreement being in place. That request was made on 21<sup>st</sup> August 2017.

However, on 23<sup>rd</sup> August 2017 some members of the Debt Club formally declined to proceed on that basis and required a greater degree of certainty around the terms of supply to Eskom before proceeding to secure credit approval for funding of the project. In the circumstances (see detailed comments below re Eskom), the Board believes that this source of project finance is no longer viable.

Mindful of the present difficulties in securing terms of supply with Eskom, management had in parallel been exploring an alternative funding proposal to place before the Board. This proposal is not subject to a committed domestic coal supply. The credit approval processes of these lenders, who are familiar with the project, has commenced. First approvals and a signed term sheet are expected by end September/early October. At that time the Board will consider a recommendation from management and make a decision on this alternative funding proposal.

The current status of the project is as follows:

**Base Case Financial Model:** Updated, circulated and supportive of a project finance facility

**Independent Expert Reports:**

All expert reports are supportive of the project with no fatal flaws being identified

- Technical report to be delivered on 25<sup>th</sup> August 2017
- Environmental report completed
- Marketing report completed
- Legal due diligence report completed

**Material Contracts:**

- CHPP EPC: Ready for execution
- CHPP Operation & Maintenance: Ready for execution
- Ancillary Works EPC: Ready for execution
- Transportation of Coal Agreement: Commercial terms agreed and largely completed
- Rail Service Level Agreement: Ready for execution
- Mining Contract: Commercial terms agreed and largely completed

**Rail Link:**

- First credit approval for full funding of the rail link obtained by Development Bank of South Africa. Second credit approval due imminently
- Rail link to be constructed by RME, a subsidiary of Transnet Freight Rail, under fixed price, turn key, EPC contract

**Richards Bay:**

- Letter of comfort received from Transnet concerning the availability of 3,6 million tons of export capacity at Richards Bay terminals effective 2020

**Eskom:**

- With the frequent management changes that have occurred at Eskom over recent months, it has not been possible to have a continuous engagement with management on the terms of an unsolicited bid for the supply of coal outside of Eskom's scheduled tender process
- Whilst we were informed in July 2017 that Eskom's current plans are not to commence a public tender process for the supply of coal from the Waterberg until 2019, we have engaged and will continue to engage with them on the basis of them accepting an unsolicited bid
- The timeline for any successful conclusion of negotiations cannot presently be predicted

**Noble Facility Agreement:**

Payment of the third and final draw down under the extended working capital facility facility will be made in two tranches in August and September respectively.

**IPP:**

Good progress is being made with regard to the planned 300MW IPP. A provisional equity structure under which the Company and its subsidiary, Ledjadja Coal, will have direct equity interests is under discussion. A joint development agreement is being drafted by the Company's appointed legal counsel and a full technical specification of the IPP is currently being prepared by an independent consulting firm.

It is expected that a selection process to identify and appoint the EPC contractor will commence during Quarter 4 of 2017.

## **Mining Charter 2017**

The Mining Charter III that was recently published is now the subject of a legal challenge by the Chamber of Mines and is being held in abeyance. The Company will continue to monitor developments carefully.

A further update to the market will be released after the next Board Meeting scheduled for end September 2017.

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- In accordance with Listing Rule 5.23.2 the Company confirms that it is not aware of any new information that would impact on the Reported Coal Resources and Coal Reserves). 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.*

## **For further information please contact:**

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