
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 September 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

Since the “all party” meeting of lenders held on 14th June 2017 Management has continued to finalise all material contracts for the development of the Boikarabelo Coal Mine. At it’s meeting in Johannesburg on 16th August 2017 the Board received an update on all material developments. 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 with Eskom. That request was made on 21st August 2017.

However, on 23rd 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, the Board believed 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 with Eskom.

The due diligence activities and preparation for the credit approval processes of these lenders, who are familiar with the project, has been ongoing since the Debt Club announcement on 25th August 2017. The lenders have advised that they have a two-tier credit approval process. First stage credit approved and signed term sheets are expected by end October/early November. At that time the Board will consider a recommendation from Management and make a decision on this alternative funding proposal. Legal advice on the draft term sheets is that shareholder approval will be required should the Board accept this proposal.

The Board of Resource Generation Limited as well as the Board of Ledjadja Coal (Pty) Ltd have approved execution of the Sedgman suite of contracts (CHPP, Ancillary Works and Operations & Maintenance), subject to finalisation of one matter regarding insurance bonds for the development works. Details will be released to the market once the agreements are executed by both parties.

Rail Link

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

Independent Power Producer (IPP)

Good progress is being made with regard to the planned 300MW IPP. A provisional equity structure under which the Company and 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 the first half of 2018.

Working Capital Facility (WCF)

During the quarter, the Group drew down the final instalment of the WCF. In addition, the Group agreed with Noble Resources International Pte Ltd to extend the commencement of repayment of the amounts borrowed under the Facility Agreement dated 3 March 2014 from September 2017 to April 2018.

On the assumption that the Board approves the proposed project finance solution outlined above, the likely time scale will be as follows:

- Finance documents completed by early February 2018
- Meeting of Shareholders mid to late February 2018
- First draw down March 2018

In order to ensure that the Group has sufficient working capital until first draw down discussions have commenced with Noble in order to secure a further extension of the WCF.

Annual General Meeting and Director resignation

Subsequent to the end of the quarter the Company released its Notice of Meeting for the Annual General Meeting which will be held on Wednesday 22nd November at 10am in Brisbane.

Denis Gately has notified the Company of his intention to resign as Chairman and a Director of the Company with effect on and from the conclusion of the Annual General Meeting of the Company called for 22nd November 2017. The continuing Directors propose to elect Lulamile Xate as Chairman to succeed Mr Gately.

Capital structure and cash position

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

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	5,750,000
Cash at bank:	\$5.1 million

Shareholders and potential investors should also review the Company's 2017 Annual Report, audited Financial Report for the year ending 30 June 2017 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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Company contacts

Denis Gately +27 12 345 1057
Rob Lowe +27 12 345 1057

Media contacts

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Competent Persons' Statements

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 September 2017

Consolidated statement of cash flows	Current quarter	Year to date (3 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	(1,390)	(1,390)
(c) production	-	-
(d) staff costs	(971)	(971)
(e) administration and corporate costs	(492)	(492)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	64	64
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/refunded	-	-
1.7 Research and development refunds	-	-
1.8 Other (sale of game)	-	-
1.9 Net cash from / (used in) operating activities	(2,789)	(2,789)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(1)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(3 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	(1)	(1)

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	4,164	4,164
3.6 Repayment of borrowings	(652)	(652)
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	3,512	3,512

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,682	4,682
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,789)	(2,789)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,512	3,512
4.5	Effect of movement in exchange rates on cash held	(264)	(264)
4.6	Cash and cash equivalents at end of period	5,140	5,140

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	29	40
5.2	Call deposits	5,111	4,642
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)	5,140	4,682

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
141
-

- 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	

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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) 	36,271 3,889	36,271 3,889
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 US\$20 million was drawn down as an unsecured loan from Noble Resources International Pte Ltd (Noble) in March 2014. The Company signed an extension of the Facility Agreement on 3 March 2017 (ASX Announcement: 14 March 2017), whereby Noble agreed to make available further funds of up to US\$8.4 million to the Company's subsidiary Ledjadja Coal (Pty) Ltd, to fund the operations and development of the mine whilst project funding is secured. US\$28.4 million has been drawn down as at 30 September 2017. It is repayable in quarterly instalments of capital and interest over 78 months commencing in April 2018 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 8 quarterly instalments remaining to be paid as at 30 September 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(2,953)
9.3 Production	-
9.4 Staff costs	(1,074)
9.5 Administration and corporate costs	(484)
9.6 Other – repayment of borrowings	(615)
9.7 Total estimated cash outflows	(5,126)

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: 26 October 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.