



## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 30 September 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.*

#### PRESENT STATUS

##### Finance

- Public Investment Corporation SOC Limited (one of Africa's largest investment managers, owned by the South African Government and managing assets of over ZAR1.4 trillion (A\$150 billion), Barsington Ltd (a subsidiary of Noble Group) and Shinto Torii Inc (a subsidiary of Altius Investment Holdings (Pty) Limited) and a number of domestic and international investors acquired 237.2 million shares at 22 cents per share after the end of the quarter, completing the 1-for-1 entitlement offer that raised a total of \$62.6 million.
- Following this placement, Public Investment Corporation's shareholding in Resource Generation is 19.90%, Barsington's is 17.97% and Shinto Torii's is 10.91%.
- Two pathways are being undertaken to debt fund both the infrastructure and equipment, including negotiations with 11 project finance banks.
- Tenders have been received and evaluated for the supply of mobile equipment and materials handling equipment for the coal handling and preparation plant (*CHPP*) and the entire CHPP. Funding is being negotiated with the suppliers.

##### Physical Progress

- Construction of Boikarabelo's mine infrastructure has continued.
- Preparatory construction of the 40 kilometre rail link began during the quarter.
- Social and labour plan projects in the local communities have begun to be implemented.

##### Timetable

- Construction is expected to take two years and, subject to agreements on funding, production is expected to begin in late 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.

## Proposed Power Stations

- Valu has commenced feasibility studies for the proposed development of a 200 MW power station and a larger 1200 MW coal-fired power station adjacent to the Boikarabelo mine.

## PROGRESS DURING THE QUARTER

### Debt Finance

Negotiations continued with 11 banks who received data room access and are undertaking due diligence. Progress is expected towards achieving final term sheets and credit approval over the next quarter.

The main focus during the quarter was on arranging alternative sources of funding. The majority of tenders received, for mobile equipment, materials handling for the CHPP, and the entire CHPP, had funding support. Technical assessments of the various tenders have been completed and negotiations are continuing on the funding support. Such funding is complex and is targeted for completion over the next few months.

### Operational Activities

The bulk of the company's South African employees have relocated to an interim office at the mine site and are installing the mine's safety and operational procedures for the construction contractors' compliance. Land clearing for the development of the construction camp has been completed. Earthworks and construction of the initial camp for construction of the rail link, which will house 200 people, have begun.



*Land clearing at construction camp*

Land clearing for the 40 kilometre rail link 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.

### Social & Labour Plan Activities

The mining right for Boikarabelo requires implementation of the social and labour plan approved by the Department of Mineral Resources. Activities to comply have commenced in earnest, including the award of bursaries to university students, sponsorship of apprenticeship (artisan) training, adult basic education and training classes for local villagers, and upgrading the local village's meeting hall.



Work also continued on community consultation, mapping of the local village, a skills database and expansion of the database of small, medium and micro enterprises. The initial phase of the mine recruitment process was completed, with the receipt of 11,390 CVs.

## **CORPORATE**

- Cash reserves at 30 September 2013 were \$27.3 million. Following the end of the quarter, the balance of the 1 for 1 entitlement offer was successfully placed, raising a further \$52.2 million. The shares were mainly placed with strategic shareholders, being Public Investment Corporation SOC Limited (**PIC**), Barsington Ltd (a subsidiary of the Noble Group) and Shinto Torii Inc (a subsidiary of Altius Investment Holdings (Pty) Limited). PIC is one of the largest investment managers in Africa, managing assets of over ZAR1.4 trillion (A\$150 billion). It is a registered financial services provider wholly owned by the South African Government.

## **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

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Facsimile: 02 9376 9013  
Website: [www.resgen.com.au](http://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, 30/9/2001.

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

30 September 2013

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(40)	(40)
	(b) development	(3,937)	(3,937)
	(c) production	-	-
	(d) administration	(791)	(791)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	283	283
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(4,487)</b>	<b>(4,487)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
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)	-	-
	<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13	Total operating and investing cash flows (carried forward)	(4,487)	(4,487)



		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(4,487)	(4,487)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	10,420	10,420
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(53)	(53)
1.19	Other (Mining Related Deposits)	-	-
1.19	Other (Cost of Borrowings)	-	-
	<b>Net financing cash flows</b>	<b>10,367</b>	<b>10,367</b>
	<b>Net increase (decrease) in cash held</b>	<b>5,880</b>	<b>5,880</b>
1.20	Cash at beginning of quarter/year to date	21,428	21,428
1.21	Exchange rate adjustments to item 1.20	(27)	(27)
1.22	<b>Cash at end of quarter</b>	<b>27,281</b>	<b>27,281</b>

### 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.

On 28 June 2013, the company converted US\$51.3 million of its US\$123 million loan facility agreement with Noble into a dedicated rail link loan facility. An A\$20 million secured debenture was issued to Noble in January 2013. The debenture is repayable in December 2013.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	137,974	20,000
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(163)
4.2	Development	(3,812)
4.3	Production	-
4.4	Administration	(3,364)
<b>Total</b>		<b>(7,339)</b>

### 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	51	82
5.2	Deposits at call	27,230	21,436
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>27,281</b>	<b>21,428</b>

### 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	N/A	N/A	N/A	N/A



### 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	<b>+Preference securities</b> ( <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	<b>+Ordinary securities</b>	332,234,604	332,234,604	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	47,536,602 Nil	47,536,602	\$0.22	Fully paid
7.5	<b>+Convertible debt securities</b> ( <i>description</i> )	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	<b>Options</b> ( <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	1,875,000	Nil	\$0.50	7/7/2013
7.11	<b>Debentures</b> ( <i>totals only</i> )	N/A			
7.12	<b>Unsecured notes</b> ( <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: 28 October 2013

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.

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