



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 June 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

- Together with funds expected to be received as a result of its 1-for-1 entitlement offer, the company has raised finance of \$185 million since the beginning of 2013 for construction of the mine, its rail link and other infrastructure.
- Construction of Boikarabelo's mine infrastructure has continued during the quarter, underpinned by loan facilities.
- Preparatory construction of the 38 kilometre rail link is due to begin shortly. The rail link is financed by a US\$55.3 million loan.
- Noble Group has entered into a strategic partnership with the company and acquired a 7.5% shareholding in Resource Generation at 40c per share, totalling \$8.5 million.
- Two pathways are being undertaken to debt fund both the infrastructure and equipment, including negotiations with 11 project finance banks.
- As a part of this the company is currently evaluating tenders for the supply and debt funding of mobile equipment and materials handling equipment for the coal handling and preparation plant.

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

- In July 2013, Valu Investments Pte Ltd entered into a 20 year export offtake contract for 1.0 million tonnes for annum, increasing to 2.0 million tonnes per annum from the beginning of stage 2 production. This has more than replaced a contract with Bhushan Steel which has been terminated.
- Noble Group has increased and extended its export offtake contract to 66.5 million tonnes over 35 years and also signed a domestic offtake contract for 3.0 million tonnes of coal per annum for eight years.
- Together with an earlier contract with CESC, these contracts underwrite most of the forecast revenue from Boikarabelo's stage 1 production.



PROGRESS DURING THE QUARTER

Debt Finance

Negotiations are continuing with the banks which provided credit-approved offers of project finance for development of the Boikarabelo mine; these were rejected by the board in March 2013 as they included commercial conditions that it believed were not in the best interest of shareholders. Additional banks have joined this group so that 11 banks are now considering providing project finance along with the Noble Group.

Meanwhile, there was a strong focus during the quarter on arranging alternative sources of funding. Tenders were sought for mobile and materials handling equipment, including finance optionality, and responses, which were received after the end of the quarter, are being evaluated. Further leveraged funding for the remaining parts of the coal handling and preparation plant is also being sought.

Finance from such alternative sources to part-fund this expenditure will give the company flexibility to raise the remaining capital required to complete the mine's construction through either equity or debt at a later time.

Rail Link Loan

Resource Generation has signed a binding term sheet for a US\$55.3 million loan facility with Noble Group, which will be used for construction of the Boikarabelo rail link. The 38 kilometre rail link from the Boikarabelo mine to the existing Transnet Freight Rail network is one of the longer lead time items for the construction of the mine. The loan will have a term of eight years and security over the rail link and associated servitude rights will be granted to Noble Group. Construction and loan draw down will commence as soon as possible.

In view of this facility, the parties have agreed to reduce the existing Noble loan facility of US\$123 million by US\$55.3 million to US\$67.7 million. The other terms of the facility, which was announced on 2 April 2013, remain the same.

Domestic Offtake Contract

During the quarter, a domestic offtake contract for 3.0 million tonnes per annum of middlings coal was entered into with Noble Group. The term is for eight years, with supply to begin after production commences at the Boikarabelo mine. The contract is based on commercial terms which are expected to facilitate completion of debt funding, whilst maintaining appropriate returns to shareholders.

New Export Offtake Contract

After the end of the quarter, a new 20 year export coal offtake contract for 1.0 million tonnes per annum of coal was entered into with Valu Investments Pte Ltd (*Valu*), with supply beginning after production commences at the Boikarabelo mine. The volume will increase to 2.0 million tonnes per annum following commencement of stage 2 production. Prices will be set by reference to an internationally recognised index at the time of each shipment.

Valu is a special purpose vehicle which is jointly owned by Mr Jaimin Vyas, who is an entrepreneur, investor and project developer in the infrastructure sector, and IL&FS Energy Development Company Limited ("IEDCL"), an Indian company which specialises in the energy infrastructure space.



The existing 0.5 million tonnes per annum contract with Bhushan Steel Limited has been terminated.

The company's current export coal contracts (in million tonnes per annum) are as follows:

	Stage 1		Stage 2					
	Y1-Y3	Y4-Y7	Y8	Y9-12	Y13-14	Y15-20	Y21-35	Y36-Y38
CESC	1.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0
Noble	0.5	0.5	0.5	1.5	2.0	2.5	2.5	
Valu	1.0	1.0	2.0	2.0	2.0	2.0		
Total	2.5	3.5	6.5	7.5	8.0	8.5	6.5	4.0

Note. If, as expected, stage 2 production commences earlier, both CESC and Valu tonnages will increase earlier by 1.0 mtpa.

IPP Arrangements

After the end of the quarter, Valu has undertaken to conduct 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. Resource Generation has granted Valu the right to own, build and operate both the coal-fired power stations as an independent power project. In conjunction with this, the feasibility study arrangements with CESC Limited have been terminated.

Operational Activities

Initial physical activities at Boikarabelo encompassed site infrastructure, roadworks and water and power connections. Further works have been initiated on the pad for the base of the construction camp, associated access roads and other infrastructure for the mobilisation of site activities.

The commencement of the rail link will be a major catalyst for the construction of the mine. The knock-on effect of this construction activity is significant in terms of physical site establishment.

Regular logistics meetings are being held with Transnet Freight Rail (**TFR**) to plan the timely delivery of haulage services following the commencement of production at Boikarabelo. TFR is making good progress with the first upgrade works on the Thabazimbi line which will help to ensure initial capacity requirements are met.

CORPORATE

- Cash reserves at 30 June 2013 were \$21.4 million. Following the end of the quarter, a 1 for 1 entitlement offer was undertaken which was 16.7% subscribed for and raised \$10.5 million. The company is currently arranging a placement of the 237.2 million shortfall shares with institutional and sophisticated investors. Support is already in place for up to 208 million of the shortfall shares from Barsington Limited, Valu Investments Pte Ltd and Altius Investment Holdings (Proprietary) Limited (**Altius**). One of Altius' conditions is that settlement should occur after 13 September 2013 so completion of the shortfall placement will not occur before then.



- The credit-approved offers of finance received from the mandated project finance banks in March 2013 were rejected, as they contained commercial conditions that the board did not believe were in the best interests of shareholders. This resulted in the expiry of 6.55 million performance share rights held by executive directors and senior management on 30 June 2013.

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

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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 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(3)	(46)
	(b) development	(2,268)	(10,185)
	(c) production	-	-
	(d) administration	(909)	(2,454)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	174	578
1.5	Interest and other costs of finance paid	(1)	(9)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(3,007)	(12,120)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(558)	(7,375)
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)	1,089	1,949
	Net investing cash flows	531	(5,426)
1.13	Total operating and investing cash flows (carried forward)	(2,476)	(17,546)

		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(2,476)	(17,546)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	(16)	8,637
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	20,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(53)	(1,375)
1.19	Other (Mining Related Deposits)	(1,323)	523
1.19	Other (Cost of Borrowings)	(455)	(955)
	Net financing cash flows	(1,847)	26,830
	Net increase (decrease) in cash held	(4,323)	9,284
1.20	Cash at beginning of quarter/year to date	25,680	12,116
1.21	Exchange rate adjustments to item 1.20	71	28
1.22	Cash at end of quarter	21,428	21,428

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	(50)
4.2	Development	(2,531)
4.3	Production	-
4.4	Administration	(435)
Total		(3,016)

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	82	10
5.2	Deposits at call	21,346	25,670
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	-	-
Total: cash at end of quarter (item 1.22)		21,428	25,680

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	+Preference securities (description)	N/A			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3	+Ordinary securities	284,698,002	284,698,002	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil			
7.5	+Convertible debt securities (description)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (description and conversion factor)	1,875,000	Nil	<i>Exercise price</i> \$0.50	<i>Expiry date</i> 7/7/2013
		1,875,000	Nil	\$0.50	13/3/2014
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	375,000	Nil	\$1.55	28/5/2013
		375,000	Nil	\$1.85	28/5/2013
		500,000	Nil	\$2.05	28/5/2013
7.11	Debentures (totals only)	N/A			
7.12	Unsecured notes (totals only)	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".

Date: 26 July 2013

(Company secretary)

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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