

Resource Generation MD comments on financing options

Paul Jury, Managing Director at Resource Generation

BRR Today on BRR we're very pleased to be joined once again by Mr Paul Jury. Paul is the Managing Director of Resource Generation, and Resource Generation are developing the Boikarabelo Coal Mine in the Waterberg Region of South Africa. Paul really nice to be talking with you once again.

PJ Morning Tom, thanks very much.

BRR Paul, we've had a bit of a read through the quarterly today, I think first of all I wanted to touch on this transaction that you've done with Noble back in early January. This is an interesting one, could you explain its purpose for us?

PJ Well it takes two parts. The first part's a \$20 million debenture and those funds we're going to utilise to commence construction of the Boikarabelo Mine and I'm pleased to say that with those funds in place we're actually looking to commence work on site in the second week of February. So we'll be getting physical on the mine site now which is great. The second part was a five year 500,000 tonne per annum export sales contract, and together the two parts of the transaction we see as a significant vote of confidence by a major global commodity trader in the size and the calibre of the Boikarabelo Mine, and of course their confidence in its delivery.

BRR Paul, the project's advanced in terms of its approval for licences, and you're now awaiting funding, could you provide us with an update on the project finance?

PJ Yes. The due diligence by the mandated banks has certainly been completed, and I'm pleased to say that that all looks pretty good. There was a delay caused in proceeding to their credit processes in the last quarter of calendar 2012 and unfortunately that's pushed us into this current quarter. We were successful in agreeing a term sheet with the banks though. A term sheet that they are prepared to submit to their credit committees and they have confirmed, as we've put in our announcement today, that the credit submissions are underway and they have committed to do their very best to complete the process with credit by the end of February. So we're really hoping that that does come about.

BRR Absolutely, best of luck with that. So if the debt is confirmed what will happen next?

PJ Well we then approach the equity market for the balance of the funds. At this stage of the game we anticipate around about half of the capex of the project will be covered by the debt, and therefore we'll be going to the equity market for the remaining half.

BRR And if that's the case what would the raising involve?

PJ I've said previously that the banks would be looking at a suite of cash flows that obviously support sufficient debt service cover. Those cash flows then, in themselves, would represent a certain value for the company and it's that value that would be key to any equity pricing. In those terms the price pretty much represents a re-IPO scenario for the company in terms of price and value and therefore obviously gives the company a much higher profile in terms of its market cap. Given the size of the raising we would then see a multiple of the current market capitalisation. It would be a game changer in terms of where we would sit in the market, in terms of size, reduction of risk and

certainty of cash generation coming from Boikarabelo.

BRR **Paul thank you very much for joining us today and giving us all those details, we appreciate your time.**

PJ Thanks very much Tom.