

ASX: RES

27 June 2012

ASX Release

Resource Generation signs Transnet contract

Resource Generation Limited has overcome its remaining major hurdle before proceeding to finalise project finance for its Boikarabelo open-cut coal mine in the Waterberg region of South Africa.

The company's BEE subsidiary, Ledjadja Coal, has signed a ten-year take-or-pay rail haulage contract with Transnet Freight Rail (**TFR**) to haul up to 6 million tonnes of coal per annum.

'Having previously secured the major regulatory approvals, crossing this bridge to finalise a contract with TFR will enable us to progress project finance with banks, which have confirmed they are keen to provide funding. Once all debt and equity funding is in place, we will then be able to begin construction of the mine and infrastructure,' said Paul Jury, managing director of Resource Generation.

'Our agreement with TFR is a significant step towards opening up the Waterberg region which has one of South Africa's largest remaining coal deposits. Boikarabelo is a massive project which will provide a major boost to the South African economy and create a substantial number of jobs for many years. We can now see the light at the end of the tunnel and, if construction commences in the last quarter of this year, production could start in late 2014 and we can begin to supply our customers' contracts.

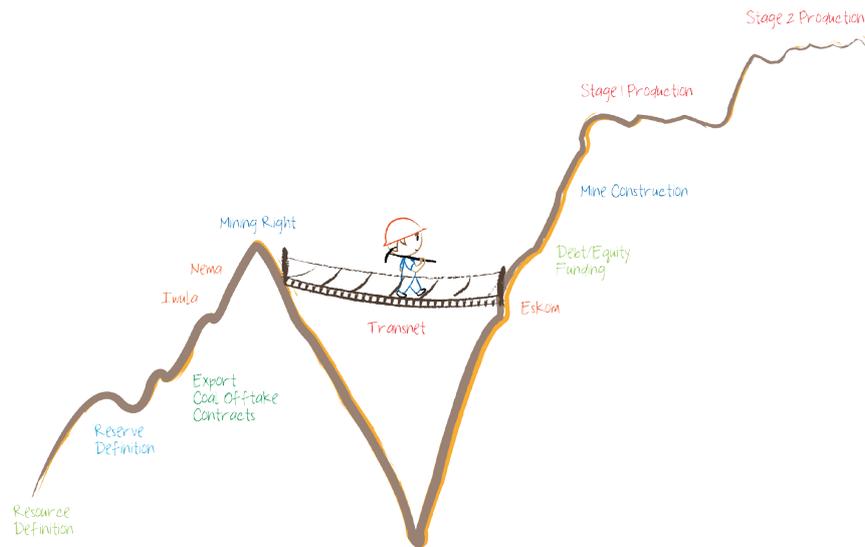
'We have had to make compromises in order to achieve a signed contract with TFR, in particular agreeing to a condition for the allocation of capacity. We are confident, however, that Ledjadja Coal will be provided with its required allocation because our studies show that sufficient rail capacity for our target production should be available once TFR has completed the minimal upgrade works that are required. We have indicated we are prepared to complete these works for TFR if there is a delay.'

The main terms of the contract are as follows:

- The initial term is for 10 years with provision to extend for a further 10 years.
- The contract allows for 4 million tonnes in the first year, 5 million tonnes in the second year and 6 million tonnes per annum thereafter. Should Eskom elect to contract directly with TFR (which is Eskom's intention) for the proposed domestic purchases (currently under negotiation), the take-or-pay quantities in the contract will reduce to export tonnage only.
- The contract specifies an indicative tariff for the current year. The actual tariff will be determined annually by negotiation.

ASX: RES

- The contract is conditional on Ledjadja Coal completing construction of the 36 kilometre rail link to the existing rail network.
- The contract is also conditional on TFR completing its processes to determine a fair, proportional and equitable allocation of rail capacity to all interested parties from the Waterberg. If these are not completed by 31 December 2012, this condition is automatically waived and the above tonnage allocation becomes firm.



Contacts

Paul Jury, Managing Director on (02) 9376 9000 or
Steve Matthews, Company Secretary on (02) 9376 9000

Media enquiries

Anthony Tregoning (02) 8264 1000 or 0411 852 448

Resource Generation is developing the Boikarabelo coal mine in the Waterberg region of South Africa where there are probable reserves of 744.8 million tonnes of coal on 35% of the tenements under its control. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.