



## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 31 March 2012

*Resource Generation is developing its Boikarabelo coal mine in the Waterberg region of South Africa, which has one of the country's largest remaining coal deposits. The Boikarabelo mine has 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**

Resource Generation is now ready to finalise funding arrangements for construction of the mine, subject to agreeing a satisfactory transport tariff with Transnet Freight Rail (*Transnet*). Negotiations on this tariff are currently in progress. Negotiations on other contractual terms are substantially complete but still exclude a firm tonnage allocation.

While Transnet has indicated it is unwilling to commit to a firm tonnage allocation before the end of 2012, the company has decided to proceed with securing finance, conditional on obtaining sufficient allocation, as soon as agreement has been reached on the tariff. Management's confidence that capacity will be available is based on several statements by Transnet; earlier this month Transnet confirmed that some R50 billion (\$6.25 billion) had been set aside for the Richards Bay coal corridor, including a substantial expansion of export capacity from the Waterberg region.

Following agreement on a tariff, Resource Generation expects to finalise funding arrangements within four to five months. Construction of the mine and infrastructure will then take approximately two years.

#### **PROGRESS ON OTHER MATTERS**

##### **Development consent received**

Development consent was received during the quarter for construction activities at the Boikarabelo mine. The approval was given under the National Environmental Management Act (*NEMA*) and enables the company to construct the mine, all the required mine infrastructure and the associated 36 kilometre rail link to the existing rail network. The approval was the culmination of 15 months' close liaison and work with the Limpopo Department of Economic Development, Environment and Tourism.

##### **Water Use Licence update**

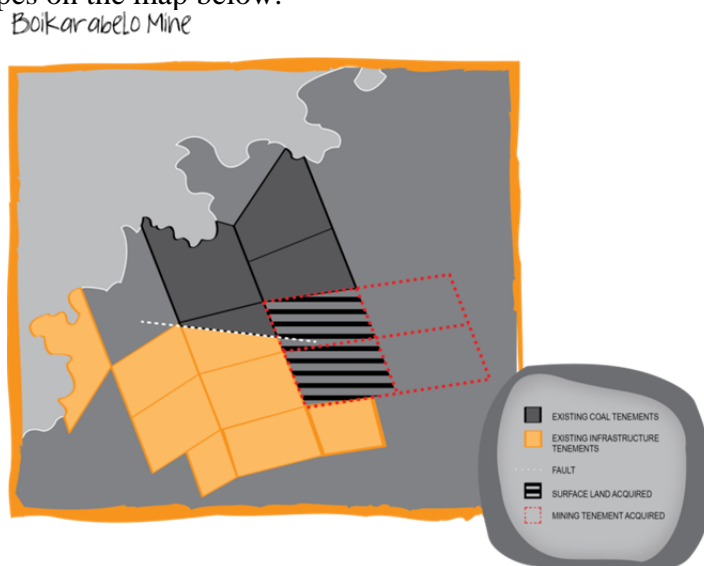
Discussions with the Department of Water Affairs have been concluded regarding the Integrated Water Use Licence Application that was lodged in December 2010. Indications are that the Record of Decision should be received during May 2012.

### Mining right update

As previously advised, the appeal that was lodged with the South African Department of Mineral Resources (**DMR**) against the 30 year mining right does not suspend the mining right, which remains valid. Indications are that the DMR will dismiss the appeal but formal communication is yet to be received. The company is confident that the mining right will be confirmed and is continuing its normal activities to develop the mine.

### Land acquisitions enhance stage 2 of production

An agreement was signed during the quarter to acquire land adjacent to the company's Boikarabelo mine. The properties being acquired are Swelpan and Kleinpan, highlighted in black and grey stripes on the map below.



Swelpan contains significant coal resources and is contiguous to the Boikarabelo coal tenements. The bulk of the Kleinpan property contains no defined coal resources but it provides an ideal location for the 2x660MW power station that CESC Limited proposes to build. As previously announced, this proposed power station would enable the Boikarabelo mine to commence its stage 2 expansion earlier than originally planned. The company is working closely with CESC on its planning and processes for its feasibility study for the power station.

### Potential resource expansion

During the quarter Ledjadja, Resource Generation's BEE subsidiary, entered into a put option arrangement with Exxaro Resources under which Exxaro can sell the prospecting rights it holds over four properties to Ledjadja. The four properties, which include Swelpan and Kleinpan, are highlighted in red on the map above. Any transfer of the prospecting rights would be subject to approval by the Department of Mineral Resources (**DMR**) under Section 11 of the Mineral and Petroleum Resources Development Act, 2002. The coal tenements contain an indicated resource of 974.5 million tonnes\*, excluding shale content. Coal qualities are consistent with the rest of the Boikarabelo tenements.

Should Exxaro exercise the put option and the DMR approve the transfer, the Boikarabelo mine will have the following resources and reserves, excluding shale content; ie an increase in total resources of 31%:

Measured Resource (Mt)	Indicated Resource (Mt)	Inferred Resource (Mt)	Total Resource (Mt)	Probable Reserve (Mt)
1,090.5	1,526.2	1,479.6	4,096.3	744.8



### **Drilling activities**

The last of six large diameter core holes drilled on the Kalkpan property was completed in the quarter. Kalkpan will be the commencement point for the Boikarabelo open cut mine pit. These large cores are being used to obtain a greater understanding of the coal qualities and washability data of the Boikarabelo coal. This information is necessary to fine tune the design of the coal preparation plant and to add to the information being provided to Eskom to supplement the earlier successful test burn results.

### **Eskom update**

Negotiations are progressing with Eskom on the contractual terms for the initial supply of 3 million tonnes of thermal coal per annum.

### **Coal handling and preparation plant update**

A front end engineering design (*FEED*) was completed by a major provider of coal handling and preparation plants (*CHPPs*) in 2011. A further FEED was received during the quarter for an alternative design and operation from another major provider of CHPPs. Both FEEDs are now the subject of detailed reviews to enable the company to determine the optimal solution from both a functional and cost perspective.

### **Power supply**

Tenders are due to be received shortly for the design and construction of a 3x15MW power station at the Boikarabelo mine site. This proposed power station will meet all the mine's power requirements for stage 1 of production and removes any uncertainty of power supply, should Eskom have difficulties with its ability to supply power to the mine in sufficient time.

### **Recruitment of key executives**

Two key positions for the development and operations of the Boikarabelo mine have been successfully filled in the past few weeks and the new executives will commence in their roles shortly. Andy McLeod, an experienced mine manager in both South Africa and Australia, most recently with Anglo American, has been appointed as General Manager Boikarabelo Mine. Andy will be responsible for overseeing the construction, development and operations of the mine. Bongsi Ndimande, an experienced human resources executive in South Africa, most recently with Sasol, has been appointed as General Manager Human Resources. Her role encompasses human resources, training and industrial relations.

### **Continued strong interest from financiers for debt funding**

Potential debt funders have re-confirmed their continued strong interest in providing project finance for the development of the Boikarabelo mine.

## **CAMEROON**

There was no activity during the quarter on Resource Generation's uranium tenements in Cameroon.

## **CORPORATE**

Cash reserves at 31 March 2012 were \$19.1 million. Following the settlement for the acquisition of the Swelpa and Kleinpan properties in April 2012, cash reserves have reduced to \$15 million. This is expected to be sufficient to cover cash requirements prior to the anticipated commencement of mine construction.



## **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

Telephone: 02 9376 9000  
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")

31 March 2012

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(142)	(433)
	(b) development	(1,273)	(4,440)
	(c) production	-	-
	(d) administration	(691)	(2,033)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	221	824
1.5	Interest and other costs of finance paid	(4)	(8)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,889)</b>	<b>(6,090)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(128)	(207)
1.12	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment (subsidiary)	-	1,500
	(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 (refundable)	10	464
	<b>Net investing cash flows</b>	<b>(118)</b>	<b>1,757</b>
1.13	Total operating and investing cash flows (carried forward)	(2,007)	(4,333)

		Current quarter \$A'000	Year to date (9 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(2,007)	(4,333)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	(1,283)
	<b>Net financing cash flows</b>	<b>-</b>	<b>(1,283)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(2,007)</b>	<b>(5,616)</b>
1.20	Cash at beginning of quarter/year to date	20,825	25,322
1.21	Exchange rate adjustments to item 1.20	270	(618)
1.22	<b>Cash at end of quarter</b>	<b>19,088</b>	<b>19,088</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	277
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.

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

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(137)
4.2	Development	(1,575)
4.3	Production	-
4.4	Administration	(417)
<b>Total</b>		<b>(2,129)</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	19	32
5.2	Deposits at call	18,730	20,453
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	340	340
<b>Total: cash at end of quarter (item 1.22)</b>		<b>19,089</b>	<b>20,825</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>	262,895,652	262,895,652	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil			
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> )	450,000 1,875,000 1,875,000 250,000 450,000 250,000 350,000 350,000 375,000 375,000 500,000	Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> \$0.25 \$0.50 \$0.50 \$0.50 \$0.60 \$0.70 \$1.00 \$1.50 \$1.55 \$1.85 \$2.05	<i>Expiry date</i> 28/11/2012 31/12/2012 7/7/2013 17/3/2013 28/11/2012 17/3/2013 17/3/2013 17/3/2013 28/5/2013 28/5/2013 28/5/2013
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
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: 30 April 2012

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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