



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 December 2011

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.

HIGHLIGHTS

- MOU signed with Transnet.
- Boikarabelo mining right update.
- Regulatory approval update.
- Agreement signed to secure water for stage 2 of the mine operations
- Continued strong interest from financiers for debt funding.

SOUTH AFRICA

MOU signed with Transnet

Ledjadja signed a memorandum of understanding (**MOU**) with Transnet Freight Rail (**TFR**) during the quarter. Under the MOU, TFR has agreed to haul Boikarabelo coal on a take or pay basis as follows: 4 million tonnes in the year commencing 1 July 2014, 5 million tonnes in the year commencing 1 July 2015 and 6 million tonnes per annum from 1 July 2016. 50% of the coal will be hauled to export ports and 50% to the Mpumalanga Highveld, which is where Eskom's power stations are located. Freight rates are yet to be determined but will reflect commercially fair and reasonable terms.

Whilst rail capacity currently exists, upgrade works on the existing line between Lephalale and Pyramid South have been identified and need to be completed before coal haulage can commence. Ledjadja has agreed to undertake the upgrade works if TFR agrees. These works are minor and able to be completed prior to the forecast commencement of mining. Ledjadja has also agreed to work with TFR to unlock additional capacity from the Waterberg.

The haulage agreement is conditional upon Boikarabelo commencing to produce coal, the upgrade works being completed and the rail link from Boikarabelo to the existing network being completed. The rail link is part of the capital expenditure of the Boikarabelo mine and ownership and operations of the rail link will be transferred to TFR in due course with compensation to be negotiated. The rail link is intended to be a common user facility. The agreement is also conditional on TFR completing its Waterberg Feasibility Study aimed at unlocking a potential haulage capacity of 22.5 million tonnes per annum from the Waterberg and formal allocation of capacity by TFR.

Ledjadja submitted a draft long term coal haulage agreement based on TFR's standard terms and conditions on 18 November 2011. Communications are occurring and TFR's recent announcements of infrastructure upgrades to expand the Waterberg network have been welcomed.



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. The statutory appeal process is underway and Ledjadja provided its formal response to the DMR in the previous quarter. The DMR's communication of its response to the appellants is awaited. The company is confident that the mining right will be confirmed and is continuing its normal activities to develop the mine.

Regulatory approval update

Ledjadja applied for approval under the National Environmental Management Act (*NEMA*) in January 2011 for construction of the mine infrastructure and the 36 kilometre rail link route from the Boikarabelo mine to the existing Transnet rail line. Public consultation and administrative reviews progressed without any material issues; however minor variations to the application resulted in departmental processes requiring a second environmental impact assessment, which has delayed the expected NEMA approval until early 2012.

The application for an Integrated Water Use Licence (*IWULA*) in December 2010 has also progressed to a mature stage.

Agreement signed to secure water for stage 2 of the mine operations

An agreement was signed during the quarter with the Lephalale Local Municipality (*LLM*) in Limpopo Province which will secure the water required for stage 2 of the company's planned Boikarabelo mine.

Under the contract, which is subject to a number of conditions, the company will construct, operate and maintain a wastewater treatment plant at Marapong, approximately 50 kilometres from Boikarabelo. This will treat municipal effluent and generate up to 16 megalitres of water per day, which will be pumped to the mine site via a new pipeline.

Resource Generation has been working with LLM for two years on plans for the plant, which will provide LLM with essential infrastructure. This is a key responsibility which the company's black empowered subsidiary, Ledjadja Coal (Pty) Limited, committed to undertake as part of its social and labour plan for the Boikarabelo mine.

The key terms of the agreement with LLM are as follows:

- The term is 30 years from the date of grant of the water use licence by the Department of Water Affairs, subject to satisfaction of a number of conditions. The conditions include an environmental impact assessment being approved by relevant government departments by 28 February 2013, sufficient power supply being secured by LMM, and all other required government approvals (including NEMA approval) being obtained by 28 February 2013. An extension of time is possible should delays be experienced.
- Resource Generation will pay for the Marapong wastewater treatment plant upgrade works and expansion works to extend capacity to 4 megalitres per day by January 2014, increasing to 16 megalitres per day by January 2017. It will also construct the Marapong - Boikarabelo effluent transfer pump station and associated works including the transfer pipeline.
- Resource Generation will manage, operate and maintain the treatment plant after the expansion at its own cost until the operations transfer date, which is one year after



completion of the expansion works. At that time LLM will become responsible for management, operation and maintenance of the plant.

- From 1 January 2014, the Boikarabelo mine will be supplied with a minimum of 4 megalitres of treated effluent per day and from 1 January 2017 a maximum of 16 megalitres per day.
- From the operations transfer date, Resource Generation will continue to pay for the operation and maintenance costs. The company will also pay for insurance for the plant for the term of the agreement.

Continued strong interest from financiers for debt funding

Potential debt funders have confirmed their continued strong interest in providing project finance for the development of the Boikarabelo mine. Completion of the financiers' due diligence is subject to satisfactory arrangements with both TFR and Eskom. The company is working toward contractual arrangements with both of these parties.

Drilling activities

Five large diameter core holes were drilled on the Kalkpan property which will be the commencement point for the Boikarabelo open cut mine pit. A sixth hole is due to be completed in February. 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.

Two core holes were drilled on each of the three Waterberg One Coal properties as part of the requirements for maintenance of the prospecting rights. Results were as expected and do not alter the earlier interpretations of resources and reserves.

CAMEROON

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



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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Media

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** 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 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(291)	(291)
	(b) development	(1,766)	(3,167)
	(c) production	-	-
	(d) administration	(671)	(1,342)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	318	603
1.5	Interest and other costs of finance paid	(2)	(4)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(2,412)	(4,201)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(79)	(79)
1.12	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment (subsidiary)	(38)	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)	57	454
	Net investing cash flows	(60)	1,875
1.13	Total operating and investing cash flows (carried forward)	(2,472)	(2,326)



		Current quarter \$A'000	Year to date (6 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(2,472)	(2,326)
	Cash flows related to financing activities		
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)
	Net financing cash flows	-	(1,283)
	Net increase (decrease) in cash held	(2,472)	(3,609)
1.20	Cash at beginning of quarter/year to date	23,685	25,322
1.21	Exchange rate adjustments to item 1.20	(388)	(888)
1.22	Cash at end of quarter	20,825	20,825

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	272
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	(210)
4.2	Development	(1,983)
4.3	Production	-
4.4	Administration	(637)
Total		(2,830)

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	32	443
5.2	Deposits at call	20,453	22,788
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	340	454
Total: cash at end of quarter (item 1.22)		20,825	23,685

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 (<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	+Ordinary securities	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	+Convertible debt securities (<i>description</i>)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (<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	Debentures (<i>totals only</i>)	N/A			
7.12	Unsecured notes (<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.

A handwritten signature in black ink, appearing to read "Stephen James Matthews".

Sign here:
(Company secretary)

Date: 27 January 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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