



## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 30 September 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.
- Capital expenditure estimated at \$750 million.
- 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**) after the end of 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 and TFR have agreed to enter into negotiations to complete a definitive long term coal haulage agreement.



### **Mining right update**

An appeal was lodged with the South African Department of Mineral Resources (*DMR*) against the 30 year mining right that has been issued to Ledjadja Coal (Pty) Limited (*Ledjadja*), in which Resource Generation has a 74% shareholding, for its Boikarabelo mine. The appeal was lodged by three individuals whose farms are located in the area of the proposed mine, the nearest being 13 kilometres away. The objections raised are of a general nature and are substantially the same as those lodged by the same parties during the public consultation phase of the Mining Right Application process, which were considered in the granting of the Mining Right. The same parties are believed to have appealed other mining rights in the area.

The appeal does not suspend the mining right, which remains valid. The statutory appeal process is now underway and Ledjadja has provided its formal response to the DMR. 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. The use of borefield water available from the farms owned by Resource Generation is being assessed by the Department of Water Affairs. The process is continuing and approval is anticipated before the end of 2011.

Preparation of the IWULA for the Marapong effluent treatment scheme, which is being developed in conjunction with the Lephalale municipality, is underway. This project will provide a significant contribution to the local community and in the longer term provide water to the Boikarabelo mine.

### **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.

### **Capital expenditure estimate**

Detailed mining fleet and engineering designs have been completed for the Boikarabelo mine and rail link. These designs will enable the company to fast track construction once funding is secured. Detailed designs for the 40MW power station required for stage 1 are being finalised and its funding has been included in the mine's capital estimate.

Using the mid-range cost estimate of \$100 million for construction of the power station, estimated capital expenditure for construction of stage 1 of the mine is now \$750 million. This is higher than originally estimated due to inclusion of the power station and increased construction costs, particularly for the coal handling and washing facilities. The company is



considering the possibility of segregating debt funding for the power station from the project facility for the mine.

### **TASMANIA**

The Tasmanian tenements were sold during the quarter as part of the sale of two of the company's subsidiaries for \$1.5 million.

### **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
Scott Douglas	Non-Executive Director
Geoffrey (Toby) Rose	Non-Executive Director

### **Company Secretary**

Steve Matthews

### **Registered Office**

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2 Chifley Square  
Sydney NSW 2000

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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")

30 September 2011

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	(1,401)	(1,401)
	(c) production	-	-
	(d) administration	(671)	(671)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	285	285
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,789)</b>	<b>(1,789)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
	(land)	-	-
1.12	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment	-	-
	(subsidiary)	1,538	1,538
	(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)	397	397
	<b>Net investing cash flows</b>	<b>1,935</b>	<b>1,935</b>
1.13	Total operating and investing cash flows (carried forward)	146	146



		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	146	146
	<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)	(1,283)
	<b>Net financing cash flows</b>	<b>(1,283)</b>	<b>(1,283)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,137)</b>	<b>(1,137)</b>
1.20	Cash at beginning of quarter/year to date	25,322	25,322
1.21	Exchange rate adjustments to item 1.20	(500)	(500)
1.22	<b>Cash at end of quarter</b>	<b>23,685</b>	<b>23,685</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	285
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	-
4.2	Development	(2,073)
4.3	Production	-
4.4	Administration	(423)
<b>Total</b>		<b>(2,496)</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	443	26
5.2	Deposits at call	22,788	25,111
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	454	185
<b>Total: cash at end of quarter (item 1.22)</b>		<b>23,685</b>	<b>25,322</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	EL65/2007	Tasmanian exploration licences sold as part of sale of two subsidiaries during the quarter	100%	Nil
		EL25/2008		100%	Nil
		EL26/2008		100%	Nil
		EL41/2008		100%	Nil
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> (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	<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 Nil			
7.5	<b>+Convertible debt securities</b> (description)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	<b>Options</b> (description and conversion factor)	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> (totals only)	N/A			
7.12	<b>Unsecured notes</b> (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.

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

Sign here:  
(Company secretary)

Date: 28 October 2011

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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