



ASX: RES

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ASX Release

Transnet MOU Signed

Further to Resource Generation's announcement on 19 October 2011, the company is pleased to report that the memorandum of understanding (*MOU*) has now been signed by Transnet Freight Rail (*TFR*).

Under the MOU, TFR has agreed with Resource Generation's BEE subsidiary, Ledjadja, 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.

Paul Jury, managing director, said: 'It is pleasing that we have been able to complete this first step in working with Transnet to open up the Waterberg coalfields. Whilst it is a binding agreement, its conditionality prevents it from triggering a move to project funding. We will be making every effort in the next few months to finalise the contract which will be necessary to complete the funding required to develop the Boikarabelo mine.'

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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.