



**ASX: RES**

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**ASX Release**

## **Boikarabelo Update**

Resource Generation has completed detailed mining fleet and engineering designs for its planned Boikarabelo 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 controlled by the company. 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.

Project funding is conditional on a rail haulage contract with Transnet Freight Rail (*TFR*). To date, TFR's task team negotiating with Resource Generation has declined to commit to a contract and the company has elevated the matter to Transnet's group chief executive who in the past has indicated his support for the Boikarabelo project and for a rail haulage contract.

Meanwhile, progress has been made in obtaining the two remaining major licence approvals. The first, under the National Environment Management Act (NEMA), will enable construction of the mine and the rail link to begin and, as soon as this is received, pre-construction works will commence on site. The second is the Integrated Water Use Licence from the Department of Water Affairs, enabling the use of water from the borefield on the company's properties, which will provide sufficient water for stage 1 of the mine's operations. Both licence approvals are expected during the final quarter of 2011.

As anticipated by the company in an announcement on 12 August, the South African Department of Mineral Resources (*DMR*) has notified the company's subsidiary, Ledjadja Coal (Pty) Limited, that an appeal has been lodged regarding the granting of the Boikarabelo mining right. 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.

Discussions continue with Eskom for supply of coal to the Mpumalanga power stations.



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Paul Jury, managing director of Resource Generation, said: 'The reluctance of TFR's task team to commit to a rail haulage contract will delay the mine's initial production until the first half of 2014, assuming an acceptable contract is agreed by the end of 2011 and funding is obtained. We are confident of achieving a contract with TFR eventually and believe the delay is related to process and timing, rather than inability to provide haulage.'

'We are proceeding with development activities and, after completing the sale of our Tasmanian tenements last week, have over \$25 million in cash available. These funds are sufficient to enable us to continue normal operations for the foreseeable future.'

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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.*