



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 June 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.

HIGHLIGHTS

- Boikarabelo mining right received.
- Strong interest from financiers for debt funding.
- Export coal off-take contract increased.
- Eskom and Transnet discussions progressing.
- New BEE partner.
- Waterberg One Coal shareholding increased.
- Regulatory approval update.
- Detailed engineering design update.

SOUTH AFRICA

Mining right received

A 30 year mining right was issued to Ledjadja Coal (Pty) Limited (**Ledjadja**), in which Resource Generation has a 74% shareholding, for its Boikarabelo mine by the South African Department of Mineral Resources (**DMR**). A rehabilitation deposit of R17.7 million (\$2.5 million) was provided to the DMR.

Strong interest from financiers for debt funding

Potential debt funders were invited to submit expressions of interest and indicative term sheets, and a number of submissions were received which more than cover the company's anticipated debt requirements. The Company is pleased with the confidence shown in Boikarabelo by these potential debt providers. Completion of the financiers' due diligence is subject to satisfactory arrangements with both Transnet Freight Rail and Eskom.

Export coal off-take contract increased

Integrated Coal Mining Limited, part of India's RPG Group, signed a contract to increase its purchases of thermal coal from the Boikarabelo mine to 139 million tonnes from 37 million tonnes. The purchases will take place over 38 years, up from 20 years in the original contract. Pricing will be based on the international market price at the time of each shipment.



The initial off-take of 37 million tonnes has increased to 73 million tonnes beginning when the Boikarabelo mine commences production, which is currently scheduled for late 2013. The balance of the additional off-take of 66 million tonnes is linked to the mine's stage 2 expansion which envisages doubling production to around 40 million tonnes per annum of run-of-mine coal, maximising production of export quality coal and generating an equivalent volume of domestic product.

In conjunction, CESC Limited, the flagship power company of the RPG Group, is beginning a feasibility study for construction of a 1,320MW coal-fired power station adjacent to the Boikarabelo mine to supply power to the South African grid. This proposed power station would use around half of the additional domestic product, thereby underpinning plans to develop Stage 2, reducing reliance on domestic coal off-take from Eskom and maximising export coal production.

Progress with Eskom

Detailed discussions continued with Eskom regarding a contract for the supply of 3mtpa of domestic grade thermal coal to Eskom's Mpumalanga power stations. Recently, senior executives of Eskom have called for rapid development of Waterberg mines.

Progress with Transnet

Discussions continue with Transnet Freight Rail regarding the transport of 6mtpa of export and domestic coal from late 2013. In principle agreement has been reached on facets of access whilst availability of rolling stock needs further definition. Intensive effort is being made to reach a binding agreement in the near term.

New BEE partner

Fairy Wing Trading 136 (Pty) Limited (FWT), a company owned by a group of South African businessmen and women with strong commercial and government relationships, finalised arrangements to acquire the 26% shareholding in Ledjadja that was owned by Resource Generation's original BEE (black economic empowerment) partners.

Increase in Waterberg One Coal shareholding

Following the expenditure of USD5 million on exploration and development, Resource Generation increased its shareholding in Waterberg One Coal (Pty) Limited from 20% to 70%. Waterberg One Coal owns the Waterberg One tenement, which is adjacent to Ledjadja's and contains a measured resource of 865 million tonnes, an indicated resource of 1.1 billion tonnes and a probable reserve of 314 million tonnes.

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 have progressed without any material issues; however protracted departmental processes have delayed the expected approval from July 2011 for several months.

The application for an Integrated Water Use Licence (*IWULA*) in December 2010 has also progressed favourably and approval is anticipated in the third quarter of 2011.



Power for mine construction has been secured from existing supply to properties associated with the project. Power for the production stages will be through a fluidised bed power station at the mine site, and the environmental impact study for this is underway. In addition, progress continues to be made with Eskom regarding arrangements for mains power supply requirements.

Detailed engineering

Final engineering designs for the mine infrastructure and the 36 kilometre rail link were completed during July with capital expenditure broadly in line with expectations, whilst final designs of the coal handling and preparation plant are due by the end of July 2011. Specifications of the on-site power station are still being finalised, although financial failure of the principal contractor has resulted in the Company having to review its approach to construction, and this review should be concluded in the next quarter. Capital expenditure estimates for the construction of the mine will be determined following completion of the remaining final engineering designs.

TASMANIA

Geological modelling and analysis were completed from the drill programme undertaken on the Woodbury tenement, where Resource Generation is exploring for thermal coal. Coal qualities of an 18-20% ash product have been derived at an average yield of 61%, accessed by open cut methods.

The programme was not sufficient to quantify a JORC resource and further drilling and analysis have been planned for both this tenement and the adjoining Jericho areas.

CAMEROON

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

CORPORATE

Equity raising

Bantal Singapore Pte Limited, a wholly owned subsidiary of CESC Limited, subscribed \$10.0 million for a 4.6% shareholding in Resource Generation. This involved the placement of 12,195,122 Resource Generation shares at \$0.82 per share.



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

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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")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(23)	(1,595)
	(b) development	(710)	(5,839)
	(c) production	-	-
	(d) administration	(726)	(2,559)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	416	1,023
1.5	Interest and other costs of finance paid	(3)	(16)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(1,046)	(8,986)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments (subsidiary)	(726)	(726)
	(c) other fixed assets (land)	(1,174)	(10,122)
1.12	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(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)	(935)	667
	Net investing cash flows	(2,835)	(10,181)
1.13	Total operating and investing cash flows (carried forward)	(3,881)	(19,167)

		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(3,881)	(19,167)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	10,203	49,870
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)	(8,331)	(8,331)
1.19	Other (Mining Licence Deposit)	(2,553)	(2,553)
	Net financing cash flows	(681)	38,986
	Net increase (decrease) in cash held	(4,562)	19,819
1.20	Cash at beginning of quarter/year to date	30,310	6,088
1.21	Exchange rate adjustments to item 1.20	(426)	(585)
1.22	Cash at end of quarter	25,322	25,322

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	270
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	(1,984)
4.3	Production	-
4.4	Administration	(408)
Total		(2,392)

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	26	14
5.2	Deposits at call	25,111	30,114
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	185	182
Total: cash at end of quarter (item 1.22)		25,322	30,310

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			
6.2	Interests in mining tenements acquired or increased	PR678/2007 PR720/2007	Shareholding in Waterberg One Coal (Pty) Limited, the owner of the tenement	20%	70%

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 (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	+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	5,800,000 500,000 12,195,122 Nil	5,800,000 500,000 12,195,122 Nil	0.94* 0.50 0.82 *Employee Share Plan - market value on day of grant	Fully paid Fully paid Fully paid
7.5	+Convertible debt securities (description)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (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	500,000	Nil	\$0.50	7/7/2013
7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)	N/A			
7.12	Unsecured notes (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.



Sign here:
(Company secretary)

Date: 25 July 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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