
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 December 2019 (Quarter)

Resource Generation Limited (the “Company” or “Resgen”) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine (“the mine”) in South Africa’s Waterberg coalfield. The Waterberg coalfield accounts for around 40% of the country’s currently known coal resources. The Coal Resources and Coal Reserves for the Boikarabelo Coal Mine, held through the Company’s operating subsidiary Ledjadja Coal, were updated in 2016 based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement 23 January 2017 - In accordance with Listing Rule 5.23.2 the Company confirms that it is not aware of any new information that would impact on the reported Coal Resources and Coal Reserves). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment (BEE) subsidiary operating under South Africa’s Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice.

Resgen’s primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

Project Funding

Firstly, on 3 December 2019 the Company announced that along with its partly owned subsidiary, Ledjadja Coal (Pty) Ltd, it had entered into two non-binding term sheets, being equity and debt term sheets with a Lending Syndicate for the funding of the Boikarabelo Coal Project.

On 5 December 2019, the Company then advised that principal binding agreements for funding of the construction of the Project had been executed with the Lending Syndicate. The key terms of the Project Funding Agreements mirror the terms set out in the non-binding Term Sheets announced on 3 December 2019.

The members of the Lending Syndicate were identified as:

- Government Employees Pension Fund and the Unemployment Insurance Fund, (both managed by the Public Investment Corporation SOC Limited (PIC));
- Industrial Development Corporation of South Africa Limited (IDC); and
- Noble Resources International Pte Ltd (Noble).

The ability to draw-down on facilities established under the Project Funding Agreements (**Financial Close**) is subject to the satisfaction of a number of conditions precedent, including Shareholder approval at an Extraordinary General Meeting (EGM) called for that purpose, conclusion of an unconditional fully funded Project Rail Link funding agreement and related infrastructure agreements related to the Project Rail Link and conclusion of a Ramp-up Working Capital Facility.

The Company has commissioned the preparation of an Independent Expert’s Report for inclusion in the EGM Notice of Meeting. The Independent Expert has advised that their Report

will be available in early February. This will enable the Company to finalise the meeting documentation, secure the required ASX clearance and to then advise Shareholders of the date and location for the EGM.

Rail Link negotiations for a funding package of R750m (approx. A\$75m) are at an advanced stage. The funding is required to construct the 44km rail infrastructure linking the mine to the Transnet main line.

Due to delays in reaching Financial Close, the Company has received approval from the Board of Noble Group to provide an additional working capital facility to its partially owned subsidiary, Ledjadja Coal (Pty) Ltd, to cover projected needs through to 31 March 2020. The approval involves the extension of the Facility Agreement with Noble Group and amendment of the first repayment date from 30 September 2019 to 31 March 2020. These terms have now been incorporated into a Seventh Deed of Amendment to the Facility Agreement and were executed 11 December 2019.

The Company continues to target Financial Close by 31 March 2020 however there are a number of conditions precedent associated with the Project Funding Agreements that are outside of its direct control.

The Company will keep the market informed in accordance with its continuous disclosure obligations.

Capital Structure and Cash Position)

The Company's summarised capital structure at 31 December 2019 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	3,000,000
Cash at bank:	\$1.29 million
Noble Facility – undrawn	\$US1.5 million

Shareholders and potential investors should also review the Company's 2019 Annual Report and the audited Financial Report for the year ending 30 June 2019 to fully appreciate the Company's financial position. The Company is in discussions with Noble Group regarding further funding, should this be required, in order to reach Financial Close.

Mining Tenements

The coal mining rights and exploration tenements held at the end of the quarter were as follows:

- MPT 169 MR (74%)
- PR678/2007 (74%)

The Company has no interest in farm-in or farm-out agreements.

The Mining Right Application for Waterberg #1 was lodged at the end of 2015 and the Company is awaiting the outcome of this process. Waterberg #1 encompasses the farm Koert Louw Zyn Pan (PR678/2007) and is adjacent to the Boikarabelo Coal Mine.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes
Company Secretary
RESOURCE GENERATION LIMITED

Corporate information

Directors

Lulamile Xate	Non-Executive Chairman
Rob Croll	Lead Independent Non-Executive Director
Greg Hunter	Non-Executive Director
Colin Gilligan	Independent Non-Executive Director
Michael Gray	Independent Non-Executive Director
Leapeetswe Molotsane	Interim Managing Director and CEO
Dr Konji Sebati	Independent Non-Executive Director
Manish Dahiya	Alternate Non-Executive Director for G Hunter

Company Secretary

Mike Meintjes

Registered office

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Company contacts

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Media contacts

South Africa
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Competent Persons' Statements

The information contained in this Quarterly Report relates to estimates of Coal Resources and Coal Reserves and is based on and accurately reflects reports prepared by Competent Persons named beside the respective information in the table below. Mr Riaan Joubert is the Principal Geologist contracted by Ledjadja Coal. Mr Ben Bruwer is a Principal Consultant with VBKOM (Pty) Ltd (VBKOM).

Summary of Competent Persons responsible for the Coal Resources and Coal Reserves

Competent Person	Area of Competency	Professional Society	Year of Registration	Membership Number
Riaan Joubert	Coal Resources	SACNASP*	2002	400040/02
Ben Bruwer	Coal Reserves	SAIMM**	1994	701068

*SACNASP - South African Council for Natural Scientific Professions

**SAIMM - Southern African Institute of Mining and Metallurgy

The above-named Competent Persons consent to the inclusion of material in the form and context in which it appears in this Quarterly Report. Both are members of a Recognised Professional Organisation in terms of the JORC Code 2012 and have a minimum of five years' relevant experience in relation to the mineralisation and type of deposit being reported on by them to qualify as Competent Persons as defined in the JORC Code 2012.

Neither Mr Bruwer, nor Mr Joubert, or VBKOM, have material interest or entitlement, direct or indirect, in the securities of Resource Generation Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	(1,205)	(1,592)
(c) production	-	-
(d) staff costs	(501)	(1,102)
(e) administration and corporate costs	(370)	(674)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	24	49
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,052)	(3,319)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	2,142	3,618
3.6 Repayment of borrowings	-	(526)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,142	3,092

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,159	1,474
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,052)	(3,319)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,142	3,092
4.5	Effect of movement in exchange rates on cash held	43	45
4.6	Cash and cash equivalents at end of period	1,292	1,292

5.	Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	108	69
5.2	Call deposits	1,184	1,090
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,292	1,159

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
180
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Directors' remuneration

Payments to related parties of the entity and their associates (6.1) includes the remuneration of Directors for the quarter ending 31 December 2019.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	66,878	64,739
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	66,878	64,739

7.5 **Unused financing facilities available at quarter end** 2,139

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Note 1 The Company has a Facility Agreement under which Noble Resources International Pte Ltd has agreed to make available funds of up to US\$46.9 million to the Company's subsidiary, Ledjadja Coal (Pty) Ltd, to fund the operations and development of the Boikarabelo Coal Mine whilst funding to complete the project is secured. US\$45.4 million has been drawn down as at 31 December 2019. The loan is repayable in quarterly instalments over 78 months commencing from 31 March 2020 and has an annual interest rate of 10.75%. The Company has provided a Parent Company Guarantee for the Facility along with a pledge over Resgen's interest in 74% of the shares in Ledjadja, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,052)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,052)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,292
8.5 Unused finance facilities available at quarter end (Item 7.5)	2,139
8.6 Total available funding (Item 8.4 + Item 8.5)	3,431
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.67

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Yes

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes. The Company is in the process of completing outstanding conditions precedent to achieve Financial Close and draw-down funds under the Project Funding Agreements executed on 5 December 2019. Discussions have also commenced with a related party on being able to access additional funding should this be required to reach Financial Close.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, refer to 2 above.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 January 2020.....

Authorised by:Resgen Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.