



## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 31 December 2015

*Resource Generation Limited (the “Company”) is developing its Boikarabelo coal mine in the Waterberg region of South Africa. This region accounts for 40% of the country’s remaining identified coal resources. There are probable reserves of 744.8\* million tonnes of coal on 35% of the tenements under the Company’s control (refer to the ASX announcement dated 16 December 2010). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.*

#### Corporate

Following the Company's receipt of a requisition for a General Meeting from Altius Investment Holdings (Pty) Limited (“**Altius**”) to replace the Company's board, the Company submitted an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the affairs of the Company with orders that, among other things, the Company's majority shareholders, Shinto Torii Inc. (a subsidiary of Altius), Noble Group Limited and Public Investment Corporation SOC Limited, be excluded from voting at the General Meeting. The Takeovers Panel declined to make such an order and, at the General Meeting held on 26<sup>th</sup> November 2015, shareholders approved the election of a new board of directors of the Company, comprising Denis Gately (Chairman), Lulamile Xate (Deputy Chairman), Colin Gilligan, Dr Konji Sebati, Leapeetswe Molotsane and Robert Croll. The new board appointed Rob Lowe as the interim Chief Executive Officer effective 26<sup>th</sup> November 2015.

On 25<sup>th</sup> November 2015, the day prior to the General Meeting, the former Managing Director of the Company approved the retrenchment of all Sydney office staff. In addition, the former board approved the payment of termination benefits to the two executive directors in their expectation that their position as directors would be terminated at the General Meeting to be held the following day. Termination benefits totalling \$2,303,504 were paid to the former board members, executives and staff on the same day. The new board is seeking legal advice in relation to the payment of the termination benefits.

The new board met in South Africa on 14<sup>th</sup> December 2015 and subsequently the Chairman released a board report to shareholders on 16<sup>th</sup> December 2015 outlining the board’s priorities with respect to rebuilding the executive team, meeting with potential funders, reviewing the Boikarabelo mine architecture and evaluating alternative mine operating models.

Cash reserves as at 31 December 2015 were \$18.3 million.

#### Debt funding

Immediately following the General Meeting, the interim CEO made contact with the various funders with whom the Company had been in negotiations during the preceding quarter. A number of meetings were held with these funders in the period to 31 December 2015 with



discussions due to recommence in January 2016. The top priority of the board is to secure appropriate funding for the Boikarabelo coal mine project in 2016.

### **Boikarabelo mine construction**

The final stages of the Boikarabelo mine's early works construction continued during the quarter while securing of the funding continued. Construction of the bulk transformer yard and substation that is separately funded by a deferred payment facility was successfully commissioned by EHL Energy (Pty) Limited. Connection into the Eskom power grid is scheduled for July 2016. In addition, all switches and signalling installations, including the construction of the 400 metre permanent way of the Network Stabilisation Facility ("NSF"), was safely and successfully commissioned. The NSF is now in a position to be used as the construction access for the rest of the railway line system to the mine.

As previously announced, the Kubu Mining Right along with the Social and Labour Plan were lodged with the Department of Mineral Resources and the application is currently being reviewed. The development of the environmental impact assessment is underway and will be lodged during the next quarter.

Focus on the mine has now shifted from construction to operational readiness as the early works construction comes to an end.

### **Mining tenements**

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

- MPT15/2012 MR (74%)
- PR720/2007 (74%)
- PR678/2007 (74%)

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

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo site and contain minimal resources that have not been included in the stated JORC resource.

Yours faithfully

**RESOURCE GENERATION LIMITED**

Mike Meintjes  
Company Secretary



## Corporate information

### Directors

Denis Gately	Non-Executive Chairman
Lulamile Xate	Non-Executive Deputy Chairman
Robert Croll	Non-Executive Director
Colin Gilligan	Non-Executive Director
Leapeetswe Molotsane	Non-Executive Director
Dr Konji Sebati	Non-Executive Director

### Company secretary

Mike Meintjes

### Registered office

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Sydney NSW 2000

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Facsimile: +61 2 9376 9013  
Website: [www.resgen.com.au](http://www.resgen.com.au)

### Mailing address

GPO Box 5490  
Sydney NSW 2001

### Contacts

Denis Gately  
Rob Lowe

### Media

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*\* This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. 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")

31 December 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	(2,034)	(5,170)
	(c) production	-	-
	(d) administration	(3,656)	(4,609)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	53	130
1.5	Interest and other costs of finance paid	(2)	(3)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	<b>Net Operating Cash Flows</b>	<b>(5,639)</b>	<b>(9,652)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments (subsidiary)	-	-
	(c) other fixed assets	(650)	(650)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment (subsidiary)	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other- Mining related deposit	-	-
	<b>Net investing cash flows</b>	<b>(650)</b>	<b>(650)</b>
1.13	Total operating and investing cash flows (carried forward)	(6,289)	(10,302)



		Current quarter \$A'000	Year to date (6 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(6,289)	(10,302)
	<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	(564)	(564)
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(27)	(69)
	<b>Net financing cash flows</b>	<b>(591)</b>	<b>(633)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(6,880)</b>	<b>(10,935)</b>
1.20	Cash at beginning of quarter/year to date	26,170	28,548
1.21	Exchange rate adjustments to item 1.20	(975)	702
1.22	<b>Cash at end of quarter</b>	<b>18,315</b>	<b>18,315</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	2,242
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 (including termination payments) 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.

**Note 1** A binding term sheet was entered into with the Noble Group for a US\$65 million loan for site infrastructure, but if drawn down would be repayable by 31 March 2016. This is included below at the ASX's request, but in practise would not be drawn down as in the Company's opinion it is not a viable option and the Company recommends that shareholders should consider it as not available.

**Note 2** As disclosed in the Company's 2015 annual report, US\$20 million was drawn down as an unsecured loan from Noble Group in March 2014. It is repayable in quarterly instalments over 8 years commencing in June 2016 and has an annual interest rate of 10.75%.

**Note 3** EHL Energy (Pty) Limited are building the electricity sub-station at the Boikarabelo mine which connects the mine to the grid. The construction is subject to a deferred payment plan, with interest payable at the

ABSA Bank prime lending rate plus 3%. The loan is unsecured and repayable in 16 quarterly instalments from November 2015.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
	• Infrastructure loan (Note 1 above)	89,114	-
	• Unsecured loan (Note 2 above)	27,420	27,420
	• Unsecured loan (Note 3 above)	6,835	6,835
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	(801)
4.3	Production	-
4.4	Administration	(2,122)
	<b>Total</b>	<b>(2,923)</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	408	16
5.2	Deposits at call	17,797	25,927
5.3	Bank overdraft	-	-
5.4	Other (Contract retentions)	110	227
	<b>Total: cash at end of quarter (item 1.22)</b>	<b>18,315</b>	<b>26,170</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	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	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> <i>(description)</i>	N/A			
7.2	Changes during quarter	N/A			
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	581,380,338	581,380,338	Various	Fully paid
7.4	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through returns of capital, buy-backs	Nil			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	N/A			
7.6	Changes during quarter	N/A			
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	Nil			
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	<b>Debentures</b> <i>(totals only)</i>	N/A			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	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: 27 January 2016

Print name: MIKE MEINTJES

## 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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