



## Resource Generation Limited

ACN 059 950 337

### Quarterly Report for the three months ended 31 December 2012

*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. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.*

#### PRESENT STATUS

- The financiers mandated to provide a project finance facility for the development of the Boikarabelo mine are now finalising their credit submissions to obtain formal credit approvals for the facility. The terms sheet supporting these submissions was agreed immediately prior to Christmas. Final decisions by the credit committees are anticipated by the end of February.
- Assuming binding offers for project finance are received, the company will progress to an equity raising for the balance of the funds needed to develop the mine.
- Key achievements to date have been:
  - Obtaining a 30 year mining right.
  - Life-of-mine development consent for construction of the mine and the rail link to the existing network.
  - Obtaining an integrated water use licence, that includes utilising bore water from the company's properties, which will be sufficient for stage 1 of operations.
  - A rail haulage contract with Transnet with confirmed allocation to meet export and domestic sales requirements for stage 1 of operations.
  - A port access contract which is sufficient for stage 1 export requirements.
  - Three significant export contracts to supply thermal coal to Indian customers and a global trader.
  - Acquisition of all land required for the mine and for the rail link, including some servitude arrangements.
  - Sufficient power supply arranged for stage 1 of operations.
  - A fully compliant BEE structure.
- The project's sovereign risk has been minimised as a result of overcoming all major regulatory hurdles faced by the company.
- If funding is completed by the end of March 2013, construction of the mine, its infrastructure and the rail link is expected to take 24 months, with Stage 1 saleable production (6 million tonnes per annum) beginning at the end of the first quarter in 2015.
- Construction of Stage 2, planned to increase saleable production to more than 20 million tonnes per annum, is expected to be funded from cash flow and a further equity capital raising is not envisaged.
- The Waterberg region accounts for 40% of South Africa's remaining coal resources and Boikarabelo has probable reserves of 744.8 million tonnes\* on 35% of its tenements.



## PROGRESS DURING THE QUARTER

### Financing Syndicate Progress

At the start of the quarter, Resource Generation's BEE Boikarabelo project awarded a mandate to six South African and global banks and other financiers (*the Financing Syndicate*) to provide project debt finance for the construction of the Boikarabelo mine. The financiers are:

- Absa Capital, a division of Absa Limited, a member of the Barclays Bank Group;
- Caterpillar Financial SARL;
- FirstRand Bank Limited, acting through its Rand Merchant Bank division;
- Hong Kong & Shanghai Banking Corporation (HSBC);
- Nedbank Capital, a division of Nedbank Limited; and
- Standard Chartered Bank.

The award of the mandate to the Financing Syndicate followed an extensive tender process (including other global banks) and negotiation of key commercial terms.

Due diligence reports have been finalised by independent experts engaged on behalf of the financiers. The experts are Bowman Gilfillan Inc (legal), Coffey Mining, Jardine Lloyd Thompson, KPMG and Wood McKenzie.

At the end of the quarter a credit submissible terms sheet was agreed with the Financing Syndicate. The financiers are now processing their credit submissions to obtain formal credit approvals for the facility and these are targeted for receipt by the end of February. Financial close and first funding are expected to be subject to conditions precedent typical of project finance facilities of this nature, including raising sufficient equity capital to fully fund the balance of the expected capital expenditure and project costs for mine development.

Assuming credit approval for the debt funding is obtained as envisaged, the company will proceed with an equity raising for the balance of the funds needed to develop the mine. The company is confident that the mine's projected cash flow potential and value will be recognised in the price of the proposed equity raising. However, the terms of the equity raising and participants in the raising are still to be determined.

### Port Access Arrangements

A port access contract was signed with Bulk Connections which operates a multi-purpose terminal at the Port of Durban. Under the take or pay contract, Bulk Connections, which is part of the Bidvest Group, will allocate Boikarabelo sufficient stockpile capacity to ship coal at least once per week, enabling the company to meet its Stage 1 export targets from early 2015.

### Additional coal offtake contract

A third coal offtake contract for the Boikarabelo project has been entered into with Noble Resources International Pte. Ltd. (a wholly owned subsidiary of the Noble Group) (*Noble*) for the supply of 2.5 million tonnes of coal over a five year period, after production commences at the Boikarabelo mine. Coal prices will be set by reference to an internationally recognised index at the time of each shipment.



Resource Generation and Noble have also agreed to have good faith discussions with regards to a strategic marketing alliance for Boikarabelo coal.

**Eskom update**

Eskom is studying technical assessments from its preferred power stations relating to contractual terms for the initial supply of 3 million tonnes of thermal coal per annum.

**Coal handling and preparation plant update**

The optimal solution has been finalised from both a functional and cost perspective and is being incorporated into the mine design. Aveng E+PC has commenced detailed design work.

**CAMEROON**

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

**CORPORATE**

Cash reserves at 31 December 2012 were \$6.5 million. Immediately after the end of the quarter, Resource Generation agreed to issue a secured debenture to Noble to raise \$20 million cash to augment available funding and progress construction activities at its Boikarabelo coal mine. Funds were received on 8 January 2013 and are on normal commercial terms. The debenture is repayable in December 2013. The raising has been necessary due to a delay in the completion of the project debt finance from the Company's initial expectations. Construction activities are scheduled to commence on site on 11 February 2013, which will facilitate the commencement of the major construction as soon as possible after the completion of funding.

The main focus for the next quarter will be finalising the project finance for the development of the Boikarabelo mine and the subsequent equity raising to meet the required total expenditure required to develop the mine.



## **CORPORATE INFORMATION**

### **Directors**

|                      |                        |
|----------------------|------------------------|
| Brian Warner         | Non-Executive Chairman |
| Paul Jury            | Managing Director      |
| Steve Matthews       | Executive Director     |
| Geoffrey (Toby) Rose | Non-Executive Director |

### **Company Secretary**

Steve Matthews

### **Registered Office**

Level 12, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Telephone: 02 9376 9000  
Facsimile: 02 9376 9013  
Website: [www.resgen.com.au](http://www.resgen.com.au)

### **Mailing Address**

GPO Box 5490  
Sydney NSW 2001

### **Contacts**

Paul Jury  
Steve Matthews

### **Media**

Anthony Tregoning, FCR on (02) 8264 1000

*\* 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 2012

#### Consolidated statement of cash flows

| Cash flows related to operating activities        |   | Current quarter<br>\$A'000 | Year to date (6 mths)<br>\$A'000 |
|---|---|----------------------------|----------------------------------|
| 1.1   | Receipts from product sales and related debtors   | -                          | -                                |
| 1.2   | Payments for (a) exploration and evaluation   | (15)                       | (38)                             |
|   | (b) development   | (3,603)                    | (5,923)                          |
|   | (c) production  | -                          | -                                |
|   | (d) administration  | (537)                      | (739)                            |
| 1.3   | Dividends received  | -                          | -                                |
| 1.4   | Interest and other items of a similar nature received   | 89                         | 257                              |
| 1.5   | Interest and other costs of finance paid  | (3)                        | (3)                              |
| 1.6   | Income taxes paid   | -                          | -                                |
| 1.7   | Other (provide details if material)   | -                          | -                                |
|   | <b>Net Operating Cash Flows</b>   | <b>(4,069)</b>             | <b>(6,446)</b>                   |
| <b>Cash flows related to investing activities</b> |   |                            |                                  |
| 1.8   | Payment for purchases of: (a) prospects   | -                          | -                                |
|   | (b) equity investments  | -                          | -                                |
|   | (c) other fixed assets  | (189)                      | (470)                            |
| 1.12  | 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- Government charges in relation to land acquisitions and development expenditure (refundable) | 130                        | 731                              |
|   | <b>Net investing cash flows</b>   | <b>(59)</b>                | <b>261</b>                       |
| 1.13  | Total operating and investing cash flows (carried forward)  | (4,128)                    | (6,185)                          |

|      |  | Current quarter<br>\$A'000 | Year to date (6 mths)<br>\$A'000 |
|------|--|----------------------------|----------------------------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (4,128)                    | (6,185)                          |
|      | <b>Cash flows related to financing activities</b>          |                            |                                  |
| 1.14 | Proceeds from issues of shares, options, etc.              | 113                        | 113                              |
| 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)   | (108)                      | (1,269)                          |
| 1.19 | Other (Mining Licence Deposit)                             | 1,846                      | 1,846                            |
|      | <b>Net financing cash flows</b>                            | <b>1,851</b>               | <b>690</b>                       |
|      | <b>Net increase (decrease) in cash held</b>                | <b>(2,277)</b>             | <b>(5,495)</b>                   |
| 1.20 | Cash at beginning of quarter/year to date                  | 8,855                      | 12,116                           |
| 1.21 | Exchange rate adjustments to item 1.20                     | (27)                       | (70)                             |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>6,551</b>               | <b>6,551</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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 271                        |
| 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.

On 8 January 2013, the company issued a secured debenture to Noble and received \$20 million cash to augment available funding and progress construction activities at its Boikarabelo coal mine. The debenture is repayable in December 2013.

|     |                             | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities             | -                           | -                      |
| 3.2 | Credit standby arrangements | -                           | -                      |



### Estimated cash outflows for next quarter

|              |                            | \$A'000        |
|--------------|----------------------------|----------------|
| 4.1          | Exploration and evaluation | (250)          |
| 4.2          | Development                | (4,106)        |
| 4.3          | Production                 | -              |
| 4.4          | Administration             | (686)          |
| <b>Total</b> |                            | <b>(5,042)</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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|--------------------------|----------------------------|-----------------------------|
| 5.1  | Cash on hand and at bank | 203                        | 148                         |
| 5.2  | Deposits at call         | 6,348                      | 8,707                       |
| 5.3  | Bank overdraft           | -                          | -                           |
| 5.4  | Other (Bank guarantees)  | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> |                          | <b>6,551</b>               | <b>8,855</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                              | N/A                        |
| 6.2 | Interests in mining tenements acquired or increased           | N/A                | 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> (description)  | N/A   |   |   |  |
| 7.2  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | N/A   |   |   |  |
| 7.3  | <b>+Ordinary securities</b>  | 263,345,652   | 263,345,652   | Various   | Fully paid   |
| 7.4  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | 450,000<br>Nil  | 450,000   | \$0.25  | \$0.25   |
| 7.5  | <b>+Convertible debt securities</b> (description)  | N/A   |   |   |  |
| 7.6  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              | N/A   |   |   |  |
| 7.7  | <b>Options</b> (description and conversion factor)   | 1,875,000<br>1,875,000<br>250,000<br>250,000<br>350,000<br>350,000<br>375,000<br>375,000<br>500,000 | Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil | <i>Exercise price</i><br>\$0.50<br>\$0.50<br>\$0.50<br>\$0.70<br>\$1.00<br>\$1.50<br>\$1.55<br>\$1.85<br>\$2.05 | <i>Expiry date</i><br>7/7/2013<br>13/3/2014<br>17/3/2013<br>17/3/2013<br>17/3/2013<br>17/3/2013<br>28/5/2013<br>28/5/2013<br>28/5/2013 |
| 7.8  | Issued during quarter  | Nil   |   |   |  |
| 7.9  | Exercised during quarter   | 450,000   | Nil   | \$0.25  | 28/11/2012   |
| 7.10 | Expired during quarter   | 450,000   | Nil   | \$0.60  | 28/11/2012   |
| 7.11 | <b>Debentures</b> (totals only)  | N/A   |   |   |  |
| 7.12 | <b>Unsecured notes</b> (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:

A handwritten signature in black ink, appearing to read "Stephen James Matthews".

(Company secretary)

Date: 24 January 2013

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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