

30 October 2018
ASX Announcement

2018 AGM

Despatch of the Notice of Meeting

Resource Generation Limited (ASX:RES) (**Resgen** or **Company**) is pleased to announce that it has today despatched the Notice of Meeting for the Annual General Meeting to be held at 10am (Brisbane time) on Friday 30 November 2018 at the office of Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld 4000.

Retirement of a Non-Executive Director

Peter Watson who was appointed as a director on 22 November 2017, to fill a casual vacancy, has advised the Board that he does not wish to stand for election due to competing demands on his time. Peter has been a valuable contributor to Board discussions and has been actively involved as Chair of the Remuneration Committee and a member of the Audit Committee. The Board would like to thank him for his contribution and wish him well in his future endeavours.

Peter will retire from the Board at the conclusion of the Annual General Meeting.

The Nomination Committee has commenced a process of identifying a suitably experienced replacement to the Board to ensure compliance with the *Corporations Act* 2001 requirement for a public company to have two Australian resident shareholders.

Change of Auditor

In July 2018, the Company conducted a tender process for the statutory audit of Resource Generation Limited and its subsidiaries. BDO Audit Pty Ltd was selected by the Audit Committee as the preferred tenderer based principally on their approach, experience in the sector and their financial proposal. The Board has approved the recommendation of the Audit Committee and approval for the change is in the process of being obtained from the Australian Securities and Investment Commission (ASIC).



In accordance with section 327C of the *Corporations Act 2001* and subject to receipt of the ASIC approval, a resolution will be placed before Shareholders at the 2018 Annual General Meeting to ratify the appointment of BDO Audit Pty Ltd.

Lulamile Xate

Chairman

For and on behalf of the Board

About Resgen:

Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa's Waterberg region. The Waterberg 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 operating subsidiary Ledjadja Coal, were recently updated 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 subsidiary (BEE) 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.

For further information please contact:

Mike Meintjes, Company Secretary on mmeintjes@resgen.com.au or +61 413 706 143

Media enquiries:

South Africa: Marion Brower on +27 11 880 3924



RESOURCE GENERATION LIMITED

ACN 059 950 337

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00am (Brisbane time)

DATE: Friday 30 November 2018

PLACE: Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld

400C

This Notice of Meeting and accompanying Independent Expert's Report (which considers the proposed transaction the subject of Resolution 5 to be Fair and Reasonable to Shareholders not associated with Noble) should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on 0413 706 143.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Resource Generation Limited to which this Notice of Meeting relates will be held at 10.00am (Brisbane time) on Friday 30 November 2018 at:

Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld 4000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate

wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) deliver the proxy form:
 - (i) by hand to the Company's share registry, Boardroom Pty Limited at Level 12, 225 George Street, Sydney NSW 2000; or
 - (ii) by post to Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001;
- (b) fax the proxy form to Boardroom Pty Limited on facsimile number (61) 2 9290 9655; or
- (c) vote online at www.votingonline.com.au/resgenagm2018 and follow the prompts.

so that it is received not later than 10.00 am (Brisbane time) on Wednesday 28 November 2018. Proxy forms received later than this time will be invalid.

Your proxy form is enclosed as a separate document.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Resource Generation Limited will be held at 10.00 am (Brisbane time) on Friday 30 November 2018 at Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld 4000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 6.00 pm (Brisbane time) on Wednesday, 28 November 2018.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

1. DIRECTORS' REPORT AND FINANCIAL STATEMENTS

To receive the Financial Statements of the Company for the year ended 30 June 2018, together with the Directors' Report and the Auditor's Report as set out in the Annual Report for 2018.

2. RESOLUTION 1 – RE-ELECTION OF MR LULAMILE LINCOLN XATE AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, Mr Lulamile Lincoln Xate, being a Director, retires by rotation in accordance with clause 11.1 of the Constitution and, being eligible, is hereby re-elected as a Director."

Voting Exclusion Statement – Resolution 1

In accordance with an undertaking to the Company, the Company will disregard any votes cast on Resolution 1 by:

Resgen Scrip Lending Pty Limited.

3. RESOLUTION 2 – RE-ELECTION OF DR KONJI SEBATI AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, Dr Konji Sebati being a Director, retires by rotation in accordance with clause 11.1 of the Constitution and, being eligible, is hereby re-elected as a Director."

Voting Exclusion Statement – Resolution 2

In accordance with an undertaking to the Company, the Company will disregard any votes cast on Resolution 2 by:

Resgen Scrip Lending Pty Limited.

4. RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT (NON-BINDING)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company approves and adopts the Remuneration Report contained in the Annual Report of the Company for the financial year ended 30 June 2018."

Short Explanation:

The Corporations Act provides that a resolution approving the adoption of the Remuneration Report must be put to vote at a listed company's annual general meeting. The vote on Resolution 3 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement – Resolution 3

In accordance with an undertaking to the Company, the Company will disregard any votes cast on Resolution 3 by:

Resgen Scrip Lending Pty Limited.

The Company will also disregard any votes cast on Resolution 3 by:

- a director or a member of the key management personnel as disclosed in the Remuneration Report; and
- a closely related party (such as close family members and any controlled companies) of those persons.

However, the above persons may cast a vote on Resolution 3 as a proxy if the vote is not cast on behalf of a person described above and either:

- the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- the voter is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

5. RESOLUTION 4 – APPOINTMENT OF BDO AUDIT PTY LTD AS AUDITOR

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, in accordance with section 327B(1)(b) of the Corporations Act and for all other purposes, BDO Audit Pty Ltd is appointed as the Auditor of Resource Generation Limited from the conclusion of this meeting."

6. RESOLUTION 5 - APPROVAL FOR THE GRANT AND EXERCISE OF THE RAHL SECURITY

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the grant of, and compliance with, the RAHL Security to Noble, and any exercise of any of the powers under the RAHL Security by Noble or any nominee of Noble, on the terms and conditions summarised in the Explanatory Statement accompanying the Notice of Meeting."

The Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd concludes that the proposal outlined in Resolution 5 is Fair and Reasonable to Shareholders not associated with Noble. Shareholders are referred to the Independent Expert's Report in Attachment 1 to this Notice of Meeting.

Voting Exclusion Statement – Resolution 5

In accordance with an undertaking to the Company, the Company will disregard any votes cast on Resolution 5 by Noble and any associate of Noble.

However, the above persons may cast a vote on Resolution 5 as a proxy if the vote is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form.

7. CHAIRMAN'S VOTING INTENTIONS

If the Chairman of the Meeting is appointed as a proxy or may be appointed by default, and the shareholder does not direct the proxy how to vote in respect of any resolution, the Chairman intends to vote those undirected proxies (where he has been appropriately authorised to do so, having regard to the voting restrictions set out in this Notice of Meeting) in favour of all resolutions. In particular, the Chairman intends to vote undirected proxies (where the Chairman has been appropriately authorised) in favour of the Resolution 3, which is the resolution to approve and adopt the Company's Remuneration Report.

8. EXPLANATORY STATEMENT

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it.

9. VOTING ENTITLEMENTS

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person as set out in the register of Shareholders as at 6pm (Brisbane time) on Wednesday, 28 November 2018. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Annual General Meeting.

10. CORPORATE REPRESENTATIVE

A corporation that is a Shareholder or a proxy may elect to appoint a person to act as its corporate representative at the meeting, in which case the corporate Shareholder or proxy (as applicable) must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the Shareholder's or proxy's (as applicable) corporate representative. The authority must be sent to the Company and/or the Company's Share Registry (detailed above) in advance of the meeting or handed in at the meeting when registering as a corporate representative.

DATED: This 25th day of October 2018

BY ORDER OF THE BOARD

MIKE MEINTJES
COMPANY SECRETARY



EXPLANATORY STATEMENT TO SHAREHOLDERS

RESOURCE GENERATION LIMITED (ACN 059 950 337)

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at 10.00 am (Brisbane time) on Friday 30 November 2018 at Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld 4000

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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1. DIRECTORS' REPORT AND FINANCIAL STATEMENTS

As required by section 317 of the Corporations Act, the Financial Statements, Directors' Report and Auditor's Report of the Company for the year ended 30 June 2018 will be laid before the meeting. No resolution is required for this item of business.

A copy of the Company's Annual Report which includes these documents is available at www.resgen.com.au.

In accordance with the Corporations Act, during this item of business a reasonable opportunity will be given to Shareholders as a whole to ask questions about, or make comments on, the management of the Company.

The Corporations Act does not require Shareholders to vote on the financial statements contained in the Company's Annual Report or any other aspect of that document. However, Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the Company's Annual Report and the financial statements contained within it. The Chairman will also take Shareholders' questions and comments about the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to Shareholders as a whole to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the audit for the year ended 30 June 2018.

2. RESOLUTIONS 1 AND 2 - RE-ELECTION OF DIRECTORS - MR LULAMILE LINCOLN XATE AND DR KONJI SEBATI

Clause 11.1.3 of the Constitution requires that at each annual general meeting of the Company, one third of the Directors for the time being or, if their number is not a multiple of 3, then the number nearest one third (rounded upwards in case of doubt), and any other Director who has held office for three years or more (except a Managing Director) shall retire from office. Clause 11.1.6 of the Constitution provides that no Director (except a Managing Director) shall hold office for period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

A Director who retires by rotation under clause 11.1 of the Constitution is eligible for re-election.

In determining the number and identity of the Directors to retire by rotation, the Managing Director and any Director seeking election after appointment by the Board to fill a casual

vacancy are not taken into account. It has been determined that the Directors who are to retire from office in accordance with clause 11.1 of the Constitution are Mr Lulamile Lincoln Xate and Dr Konji Sebati.

Each of Mr Xate and Dr Sebati retires by rotation at this meeting and, being eligible, seek reelection as Directors of the Company.

Mr Lulamile Lincoln Xate

Mr Xate was elected as a Director by Shareholders on 26 November 2015 at a general meeting requisitioned under \$249D of the Corporations Act and was appointed as Chairman by the Board on 22 November 2017.

Mr Xate holds a Bachelor of Commerce from UNISA and a Post-Graduate Diploma in Energy Studies from Murdoch University, Perth, Australia.

Mr Xate has significant business experience in South Africa, having completed articles at PwC and then proceeded with developing a number of successful business interests in fishing, gas and forestry industries.

Mr Xate is not regarded as an independent non-executive director due to his shareholding and directorship with Altius Holdings (Pty) Ltd (Altius), a substantial shareholder through control of Shinto Torii Inc. Altius is rated BBBEE Level 1, being the highest rating under a statutory programme to integrate black South Africans into the economy.

Mr Xate is a member of the Nomination, Remuneration and Social, Ethics and Transformation Committees and has attended all Board and Sub-Committee meetings since joining the Board.

Mr Xate does not hold a direct interest in the ordinary shares of Resource Generation Limited.

All the Directors, other than Mr Xate, recommend that Shareholders vote in favour of Resolution

Dr Konji Sebati

Dr Sebati was re-elected by Shareholders in a general meeting on 23 November 2016 after initially being appointed at a general meeting requisitioned under S249D of the Corporations Act.

Dr Sebati is a medical practitioner and CEO of national pharmaceutical association IPASA. She has practiced in the public sector, specialising in rural child health. She subsequently joined the private sector and served in senior positions in South Africa and USA with Roche and Pfizer.

Dr Sebati was a former South African Ambassador to both Switzerland and France.

Dr Sebati is regarded as an independent board member and is the Chair of the Audit Committee and a member of the Social, Ethics and Transformation Committee. She has attended ten of the thirteen Board meetings held during the year and five of the six Audit Committee meetings.

All the Directors, other than Dr Sebati, recommend that Shareholders vote in favour of Resolution 2.

3. RESOLUTION 3 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

Section 249L(2) of the Corporations Act requires a company to inform shareholders that a resolution on the Remuneration Report will be put at the Annual General Meeting. Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report be adopted must be put to the vote. Resolution 3 seeks this approval.

The Remuneration Report is contained in the Annual Report of the Company for the year ended 30 June 2018, which is available to view online at the Company's website – www.resgen.com.au and was despatched to those Shareholders who did not elect to receive the Company's reports electronically.

The Remuneration Report describes the underlying policies and structure of the remuneration arrangements of the Company and sets out the remuneration arrangements in place for Directors and senior executives for the year ended 30 June 2018.

In accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 3 is an "advisory only" resolution which does not bind the Directors of the Company.

Following consideration of the Remuneration Report, the Chairman, in accordance with section 250SA of the Corporations Act, must give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Company has continued to engage Shareholders on remuneration matters and to consider the clarity of the disclosures made by the Company in accordance with section 300A of the Corporations Act and contained in the Remuneration Report, including:

- (a) Board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors and senior executives of the Company;
- (b) discussion of the relationship between such policy and the Company's performance;
- (c) the prescribed details in relation to the remuneration of each Director and certain executives who form the Key Management Personnel; and
- (d) has not increased Non-Executive remuneration levels since the appointment of the current Board in November 2015 and Senior Management remuneration levels have been frozen from 1 July 2016 (with one exception) pending achievement of financial close for project funding

Since 1 July 2011, if more than 25% of the votes cast on a resolution to adopt the remuneration report are against the adoption of the remuneration report for two consecutive annual general meetings, Shareholders will be required to vote at the second of those meetings on a spill resolution that another meeting be held within 90 days, at which all the Company's Directors must stand for re-election.

At the 2017 Annual General Meeting, the Company's Remuneration Report for the year ended 30 June 2017 did not receive a 'no' vote of 25% or more. This means that a spill resolution will not be required to be considered at the 2018 Annual General Meeting even if 25% or more of the votes cast on Resolution 3 are voted against the approval and adoption of the Remuneration Report.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

4. RESOLUTION 4 – APPOINTMENT OF BDO AUDIT PTY LTD AS AUDITOR

Resolution 4 seeks Shareholder approval for the appointment of BDO Audit Pty Ltd (Nominated engagement partner is Richard Swaby) as the auditor of the Company to replace Deloitte Touche Tohmatsu who retires at the meeting.

In July 2018 the Company conducted a tender process for the statutory audit of Resource Generation Limited and its subsidiaries. BDO Audit Pty Ltd was selected by the Audit Committee as the preferred tenderer based principally on their approach, experience in the sector and their financial proposal. The Board has approved the recommendation of the Audit Committee. Approval for the proposed change is now in the process of being sought from the Australian Securities and Investment Commission. The resolution will only be put to Shareholders if this consent is obtained.

BDO Audit Pty Ltd has consented to act as the auditor. BDO Audit Pty Ltd has been nominated to be the Company's Auditor in accordance with section 328 of the Corporations Act and a copy of the nomination letter is set out in Attachment 2 to this Explanatory Statement.

5. RESOLUTION 5 – APPROVAL FOR THE GRANT AND EXERCISE OF THE RAHL SECURITY

Background

On 3 March 2014, a facility agreement was entered into between Noble (as lender), Ledjadja Coal (Pty) Ltd (LCL), a partly owned subsidiary of the Company (as borrower) and the Company (as the borrower's guarantor) (Facility Agreement) to provide the Company and its subsidiaries with the funding for its project development, administration and development of the Boikarabelo coal mine (Project). This Facility Agreement has subsequently been amended a number of times.

On 13 September 2018, the Company announced to the ASX that it had reached a conditional agreement with Noble to provide the forecast additional working capital requirements through to the new projected date for financial close for the Project of 31 March 2019. This agreement included the following terms and conditions:

- extending the facility through a further amendment by an additional US\$4.7m;
- amending the first date for repayment under the Facility Agreement from 1 November 2018 to 1 April 2019;
- granting of new security to secure the obligations of LCL and the Company to Noble under the Facility Agreement;
- executing full form documents effecting the necessary amendment to the Facility Agreement and the additional security documents;
- the Company and LCL obtaining all necessary internal and regulatory approvals or waivers in respect of all documents being entered into; and
- all costs associated with negotiation and documentation to be borne by the Company.

On or about 26 October 2018, the Company plans to formalise the conditional agreement through execution of a further Deed of Amendment and Restatement and the grant by Resgen Africa Holdings Limited (RAHL), a wholly owned subsidiary of the Company, to Noble of a first-ranking pledge over RAHL's 74% shareholding in LCL (RAHL Security). Previously, amounts owing under the Facility Agreement were unsecured.

The key terms of the Facility Agreement (as amended) and the RAHL Security are as follows:

US\$41,900,000.
10.75% per annum with penalty interest applicable on default.

Repayment	(i) Initial advance of US\$20,000,000 plus accrued interest in equal instalments commencing on 30 June 2019; and	
	(ii) Subsequent Advances totalling US\$21,900,000 plus accrued interest to be repaid from the first drawdown under a Project funding agreement.	
Security	First-ranking pledge by RAHL over its 74% shareholding in the share capital of LCL and over the receivable owed by LCL to RAHL in relation to RAHL's 74% shareholding in LCL.	
Discharge of security	The RAHL Security will be discharged when the Facility has been repaid in full or where discharge is a requirement for securing financing for the Project.	

Reasons for granting the RAHL Security

The Company considers the granting of the RAHL Security to be necessary in order to secure the required working capital funding to reach Financial Close for funding of the Project, which is not expected to occur before 31 March 2019. The Company determined that, if no further funding was obtained, it would exhaust its current working capital funding sometime in November 2018.

The Company considered the available sources of funding in order to meet this need and identified Noble as the only party that was in a position to make a firm commitment within the relevant timeframe.

ASX is considering granting the Company a condition waiver to allow for the grant of the RAHL Security without the prior shareholder approval that would otherwise be required under ASX Listing Rule 10.1. These conditions include restrictions on the ability of Noble to exercise its rights under the RAHL Security and will be announced to the market on advice of the outcome from the ASX. If Shareholders approve Resolution 5, Noble will be able to exercise its rights under the RAHL Security without any restriction under ASX Listing Rule 10.1. Noble has therefore required (as a condition under the Facility Agreement) that the Company seek approval for the exercise by Noble of any of the powers under the RAHL Security from its Shareholders for the purposes of ASX Listing Rule 10.1 on or before 1 December 2018.

Requirement for Shareholder approval

ASX Listing Rule 10.1

ASX Listing Rule 10.1 prohibits (among other things) the disposal by a listed entity or one of its child entities of a 'substantial asset' to a 'substantial holder' without obtaining the approval of shareholders.

A 'substantial holder' is a person who, together with that person's associations, has a relevant interest in at least 10% of the total votes attached to the Company's shares. Given its shareholding in the Company, Noble is a 'substantial holder' of the Company for the purposes of ASX Listing Rule 10.1.

A 'substantial asset' is an asset where the value of the asset, the value of the consideration offered for is the asset, is equal to the value of 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX by the entity under the Listing Rules. As the RAHL Security is over the entire interest in LCL (and, by extension, the Project) held by the Company and its subsidiaries, the Company considers that security is being granted over an asset with a value exceeding 5% of the equity interests in the Company and so ASX Listing Rule 10.1 applies.

Independent Expert's Report

ASX Listing Rule 10.10 provides that the notice of meeting to obtain shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the proposed transaction from an independent expert. The Company has therefore commissioned BDO Corporate Finance (WA) Pty Ltd to prepare an Independent Expert's Report to provide an opinion on whether or not the grant and exercise of the RAHL Security would be fair and reasonable to Shareholders not associated with Noble.

This Independent Expert's Report has now been prepared by BDO Corporate Finance (WA) Pty Ltd and sets out a detailed independent examination of the proposed transaction to enable Shareholders who are not associated with Noble to assess the merits and decide whether to vote for or against Resolution 5.

In this regard, the Independent Expert has concluded that the proposed transaction is Fair and Reasonable to Shareholders not associated with Noble.

A complete copy of the Independent Expert's Report is included in Attachment 1 to this Notice of Meeting and is also available on the Company's website at http://www.resgen.com.au/investors-and-media/announcements/2018. A voting exclusion statement for Resolution 5 is included in the Notice of Meeting.

Shareholders are encouraged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

BDO Corporate Finance (WA) Pty Ltd has consented to the use of the its Independent Expert's Report, and the opinion which it contains, in the form and context used in this Notice of Meeting and Explanatory Statement.

Board Recommendation

The Directors (other than Mr Manish Dahiya, whose employer is a Noble entity and has therefore decided not to make a recommendation) recommend that Shareholders vote in favour of the Resolution.

The Chairman intends to vote all undirected proxies in favour of Resolution 5.

6. GLOSSARY

For the purposes of the Notice of Meeting and Explanatory Statement:

AGM or **Annual General Meeting** means the Annual General Meeting of the Company to be held on Friday 30 November 2018;

ASX means the ASX Limited;

ASX Listing Rules means the Listing Rules of ASX;

Board means the board of directors of the Company;

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations;

Company or **Resource Generation Limited** means Resource Generation Limited ACN 059 950 337;

Corporations Act means the Corporations Act 2001 (Cth);

Corporations Regulations means the Corporations Regulations 2001 (Cth);

Directors means the directors of the Company from time to time;

Explanatory Statement means the explanatory memorandum accompanying the Notice of Meeting;

Independent Expert's Report means the report prepared by BDO Corporate Finance (WA) Pty Ltd in relation to Resolution 5 and included in this Notice of Meeting as Attachment 1.

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity;

Listing Rules or **ASX Listing Rules** means the Official Listing Rules of the ASX as amended from time to time;

Noble means Noble Resources International Pte. Ltd., a company incorporated in Singapore;

Notice of Meeting or **Notice** means the notice of meeting which accompanies this Explanatory Memorandum:

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

Resolutions means the resolutions set out in the Notice of Meeting;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholders means the holders of Shares in the Company; and

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

ATTACHMENT 1 – INDEPENDENT EXPERT'S REPORT

ATTACHMENT 2 - NOTICE OF NOMINATION OF AUDITOR - BDO AUDIT PTY LTD

23 October 2018

Michael Meintjes Company Secretary Resource Generation Limited

Dear Mr Meintjes

NOMINATION OF BDO AUDIT PTY LTD AS AUDITOR OF RESOURCE GENERATION LIMITED (059 950 337)

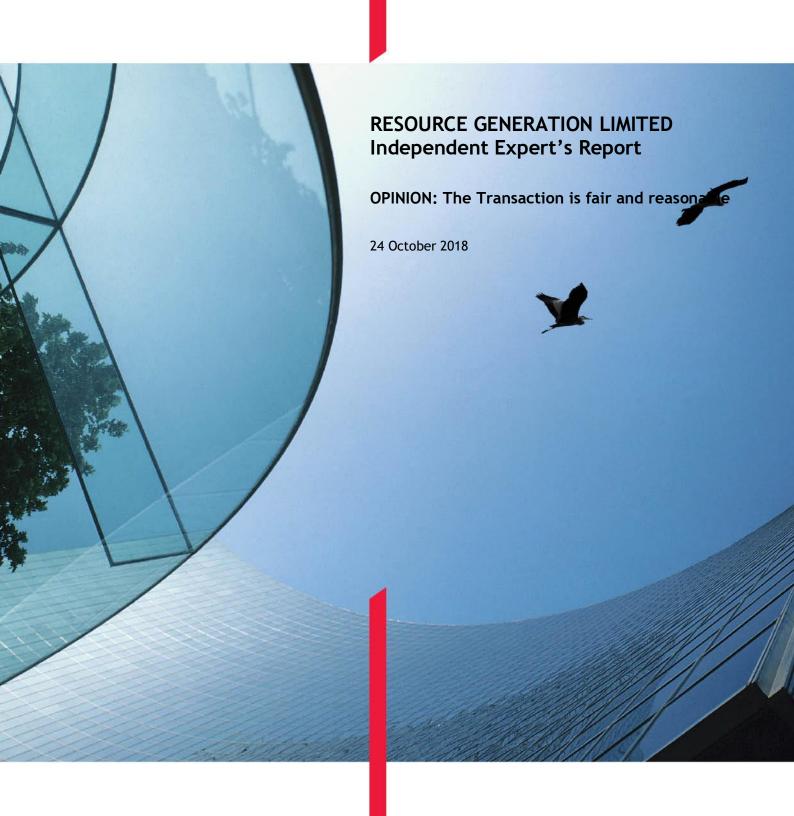
I, Brendan O'Regan, being a shareholder of Resource Generation Limited, nominate BDO Audit Pty Ltd to be appointed as the auditor of Resource Generation Limited at the next Annual General Meeting of the company to be held on or around 30 November 2018 or any other date to which that meeting may be adjourned or postponed.

I consent to the distribution of a copy of the notice of nomination as an attachment to the Notice of Meeting and Explanatory Memorandum for the next Annual General Meeting of Resource Generation Limited as required by section 328B(3) of the Corporations Act 2001 (Cth).

Yours faithfully

30 leg

Brendan O'Regan







Financial Services Guide

24 October 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Resource Generation Limited ('Resgen' or 'the Company') to provide an independent expert's report in relation to the share pledge agreement that Resgen has entered into with Noble Resources International Pte Ltd, a related party of the Company. You will be provided with a copy of our report as a retail client because you are a shareholder of Resgen.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

BDO

Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$24,000. BDO Corporate Finance (WA) Pty Ltd also received approximately \$41,600 in fees for the partial preparation of an Independent Expert's Report relating to a transaction that did not reach completion.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Resgen for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45** days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS') or Australian Financial Complaints Authority ('AFCA') schemes. FOS will be transitioned to AFCA on the 1 November and until transition a compliant can be provided to either entity.

FOS is an independent organisation that was established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. AFCA is the new external dispute resolution scheme which will provide these services from the 1 November and is being established to allow for the amalgamation of all FOS schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction, you can lodge a complaint with FOS up until the 1 November 2018, and AFCA at any time.

Our AFCA/FOS Membership Number is 12561. Further details about AFCA and FOS are available at the AFCA website www.afca.org.au and the FOS website www.fos.org.au, or by contacting them directly via the details set out below.

Australian Financial Complaints Authority & Financial Ombudsman Service GPO Box 3

GPU DOX 3

Melbourne VIC 3001

FOS Free call: 1800 367 287 AFCA Free call: 1800 931 678

Emails: <u>info@fos.org.au</u> info@afca.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

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38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

24 October 2018

The Directors
Resource Generation Limited
Level 1, 17 Station Road
Indooroopilly, QLD 4068

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 13 September 2018, Resource Generation Limited ('Resgen' or 'the Company') announced that it had reached a conditional agreement for a further extension of the debt facility agreement between the Company's subsidiary Ledjadja Coal Pty Ltd ('LCL'), and lender, Noble Resources International Pte Ltd ('Noble'). The arrangement is expected to be formalised through the execution of a further Deed of Amendment on or around 26 October 2018.

Under the proposed extension, Noble will make an additional 4.7 million United States Dollars ('US\$') available to LCL, to further fund the administration, project management and development costs of the Company's flagship project, the Boikarabelo Coal Mine ('the Boikarabelo Project'), whilst project funding is secured.

The additional funds together with the existing debt facility amounts to a total of US\$41.9 million ('the Facility'). The Facility is subject to a parent company guarantee of LCL's obligations under the debt facility agreement. Resgen is the provider of the parent guarantee, which means the Company irrevocably and unconditionally guarantees to Noble, the satisfaction and payment in full, of all obligations under the debt facility agreement ('Parent Guarantee').

Previously, the Facility was unsecured, however, it is now proposed that as part of the extension, the entire Facility be secured over the Company's indirect 74% interest in LCL, by way of a share pledge, pursuant to which, Resgen has agreed to pledge its shares in LCL to Noble ('Share Pledge'), as security for the due and punctual performance of the obligations subject to the Parent Guarantee ('the Transaction').

Our report is prepared pursuant to the requirements of Australian Securities Exchange ('ASX') Listing Rule 10.1 because, by entering into the Transaction, the Company is deemed to have disposed of a substantial asset to a related party, being the Share Pledge to Noble, for which the value of the obligations subject to the Parent Guarantee are more than 5% of the Company's equity interest at 30 June 2018.

Further details of the Transaction are included in Section 4 of our report and the Company's Notice of Meeting.



2. Summary and Opinion

2.1 Requirement for the report

The directors of Resgen have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report to express an opinion as to whether or not the Transaction is fair and reasonable to the non-associated shareholders of Resgen ('Shareholders').

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Explanatory Memorandum for Resgen in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 76 'Related Party Transactions', Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- how the value of the Share Pledge, compares to the value of the obligations subject to the Parent Guarantee, that would be settled in the event of default;
- the likelihood of an alternative offer being made available to Resgen;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- the position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of any other relevant information, or a superior offer, the Transaction is fair and reasonable to Shareholders.

2.4 Fairness

We have concluded that the value of the Share Pledge provided to Noble, is equivalent to or lower than the value of the obligations subject to the Parent Guarantee, that would be settled in the event of default. Therefore, in the absence of any other relevant information, the Transaction is fair to Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 11 of this report, in terms of both:

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.



In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information or a superior proposal, we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES				
Section	Advantages	Section	Disadvantages	
11.1.1	The Transaction is fair	11.2.1	Resgen may have to cede its 74% interest in LCL to Noble in the Event of Default	
11.1.2	The Transaction will result in the Company being under less cash flow strain and allow it to continue to fund the administration, project management and development costs of the Boikarabelo Project, whilst project funding is secured			
11.1.3	Alternative sources of funding may need to take the form of convertible debt			
11.1.4	The Facility does not include any fees or penalties for prepayments			
11.1.5	The Facility supports debt funding			

Other key matters we have considered include:

Section	Description
11.3.1	Alternative proposal
11.3.2	Fiduciary duty of the Company's directors

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset from a related party of the company, a substantial shareholder (i.e. shareholder holding 10% or more of the shares in the company) or an associate of a related party or substantial shareholder, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.



By entering the Transaction, the Company is deemed to have disposed of a substantial asset to a related party, being the Share Pledge to Noble, for which the obligations subject to the Parent Guarantee are more than 5% of the Company's equity interest at 30 June 2018. The equity interest of the Company as set out in the 30 June 2018 audited accounts was 122.5 million Australian Dollars ('A\$'). The Facility of US\$41.9 million is equal to A\$56.6 million, converted at the A\$/US\$ foreign exchange rate of A\$1.35/US\$1 as at 30 June 2018, which constitutes approximately 41% of the Company's equity interest.

Noble is a substantial shareholder in the Company because it holds a relevant interest of more than 10% of the total votes attaching to Resgen's voting securities. As at 31 August 2018, Noble holds a relevant interest of approximately 13.69% in Resgen.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Resgen.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a proposed related party transaction is fair if the value of the financial benefit to be provided by the company to the related party is equal to or less than the value of the consideration being provided to the Company. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

For the Transaction, the financial benefit provided by Resgen to Noble, is the Share Pledge, pursuant to which, Resgen will cede shares in LCL to Noble, up to the equivalent cash amount sufficient to repay the obligations subject to the Parent Guarantee, in the event of default on the Facility by LCL. The consideration being provided to Resgen is the obligations subject to the Parent Guarantee.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.



Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of the Share Pledge, and the value of the obligations subject to the Parent Guarantee, that would be settled in the event of default (fairness - see Section 10 'Is the Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness see Section 11 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 13 September 2018, Resgen announced that it had reached a conditional agreement for a further extension of the Facility between the Company's subsidiary LCL, and lender, Noble, under which, Noble will make an additional US\$4.7 million available to LCL to further fund the administration, project management and development costs of the Boikarabelo Project, whilst project funding is secured. The arrangement is expected to be formalised through the execution of a further Deed of Amendment on or around 26 October 2018. The total Facility following the extension will be US\$41.9 million.

Previously, the Facility was unsecured, however, it is now proposed that as part of the extension, the entire Facility be secured over the Company's indirect 74% interest in LCL, by way of the Share Pledge, pursuant to which, Resgen has agreed to pledge its shares in LCL to Noble, as security for the due and punctual performance of the obligations subject to the Parent Guarantee.

Pursuant to the Parent Guarantee, if LCL does not pay or satisfy the obligations under the Facility in full, on the due date, ('Event of Default') Resgen irrevocably and unconditionally guarantees to Noble, the satisfaction and payment in full, of all obligations under the Facility. Obligations pursuant to the Facility agreement and subsequent deeds of amendment, constitute the liabilities of LCL to Noble and includes any liabilities which:

- are liquidated or unliquidated;
- are present, prospective or contingent;
- are in existence before or come into existence after the date of the Facility agreement or its deeds of amendment;
- relate to the payment of money or the performance or omission of any act;
- sound in damages only;
- accrue as a result of any Event of Default; or
- or would exist but for the event of insolvency affecting any person.



Collectively, the 'Secured Obligations'.

Other key terms associated with the extension of the Facility, as amended, include:

- interest accrues at 10.75% per annum and can be capitalised on a six-monthly basis unless the borrower elects otherwise to pay such interest; and
- the initial instalment of US\$20 million is now repayable in instalments commencing from 30 June 2019 (previously 1 November 2018); and
- the additional funds made available under the extension of the Facility (US\$21.9 million) are repayable from the proceeds of the first drawdown of any facility agreement for any project financing.

5. Profile of Resgen

5.1 Background

Resgen is an emerging coal production company with its flagship project, the Boikarabelo Project, located in the Limpopo province of South Africa. Through its 74% holding in subsidiary LCL, Resgen owns the mining and prospecting rights to the Boikarabelo Project area. The Company also has a 74% interest in Waterberg One Coal Pty Ltd ('Waterberg One'), which holds a prospecting right that is contiguous with the Boikarabelo Project area, and together, span more than 100 square kilometres ('km²').

The Boikarabelo Project is currently under development, with production expected to commence as early as 2021. Resgen was listed on the ASX in October 2006 and on the Johannesburg Stock Exchange in July 2010. Its registered office is located in Indooroopilly, Queensland, Australia.

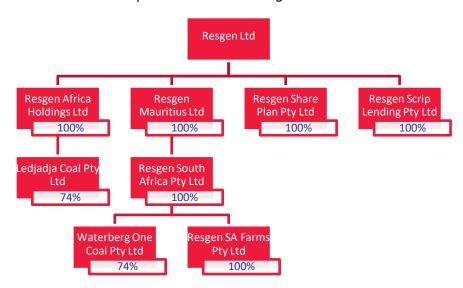
The Company's current board members and senior management are listed below:

- Mr Lulamile Xate Chairman;
- Mr Papi Molotsane Interim Chief Executive Officer;
- Mr Rob Croll Non-Executive Director;
- Mr Manish Dahiya Non-Executive Director;
- Mr Colin Gilligan Non-Executive Director;
- Dr Konji Sebati Non-Executive Director;
- Mr Peter Watson Non-Executive Director;
- Mr Gregory Hunter Alternate Director;
- Mr Zirk Van der Bank Chief Operational Officer;
- Mr Brendan O'Regan Chief Financial Officer; and
- Mr Mike Meintjes Company Secretary.



5.2 Corporate Structure

The diagram below illustrates the corporate structure of Resgen:



Source: Resgen Annual Report for the year ended 30 June 2018

5.3 Profile of Ledjadja Coal

LCL is a privately owned South African Black Economic Empowerment ('BEE') company which owns Boikarabelo Project. Through Resgen Africa Holdings Ltd, Resgen acquired a 74% ownership interest in LCL in 2009. Fairy Wing Trading 136 Pty Ltd, a South-African BEE partner company, holds the remaining 26% interest. LCL's primary focus is the development of the Boikarabelo Project, which commenced in 2013. LCL was incorporated in South Africa in April 2006 and its registered office is located in Centurion, South Africa.

The Company's current board members are listed below:

- Mr Lulamile Xate Chairman;
- Mr Papi Molotsane Non-Executive Director;
- Ms Debbie Ntombela Non-Executive Director;
- Mr Themba Langa Non-Executive Director; and
- Mr Gregory Hunter Non-Executive Director.

5.4 Boikarabelo Project

Resgen's primary focus is the development of its 74% interest in the Boikarabelo Project, located in the Waterberg region of the Limpopo province, South Africa.

The Boikarabelo Project comprises one mining right that is owned by LCL and an additional prospecting right owned by Waterberg One, which together span over 100km². In November 2009, Resgen completed a pre-feasibility study of the Boikarabelo Project, confirming the potential for a low-cost, open-cut mine. Located 55km north-west of the Lephalale commercial hub, the Boikarabelo Project will be able to leverage existing rail infrastructure however, the construction of a rail link and associated infrastructure



to provide access to the South African domestic market and Richards Bay for export, is required. Resgen is currently seeking funding for the development of this further transportation infrastructure.

In February 2013, LCL commenced initial construction of the Boikarabelo Project. A number of engineering, procurement and construction contractors have been engaged to carry out the mines development as part of a low-risk execution strategy. In August 2018, LCL secured contracts for the engineering design, construction, commissioning, operation, and maintenance of the Boikarabelo Project's Coal Handing and Preparation Plant.

The Boikarabelo Project product is classified as high-energy bituminous coal, although the energy content is at the lower end of the range. Pending the approval of funding, the mine is expected to commence production in 2021 with planned annual production of 6.0 million tonnes of product.

Almost two thirds of the Boikarabelo Project production will be exported through either off-take agreements with Noble and/or offtake agreements secured and/or managed by Noble as supply chain and marketing manager. An international agreement is in place with an Indian power station for the first 38 years of the Boikarabelo Project's production along with a 35-year export offtake contract with Noble, while a domestic offtake contract is in place for the first 8 years. Resgen also plans to re-engage with local electricity utility Eskom to further progress a proposed domestic coal supply agreement.

Royalties recognised on the acquisition of Resgen Africa Holdings Ltd will be payable upon the commencement of coal production from the Boikarabelo Project and will be calculated on the basis of ZAR2.00 per tonne of coal extracted and sold, to a maximum of 15.0 million tonnes.

5.5 Recent Corporate Events

On 3 March 2014, Resgen first entered into the US\$20.0 million Facility with Noble. The Facility is unsecured and was initially repayable from June 2016. Many subsequent extensions have since been granted, as detailed below.

On 20 August 2014, Resgen announced that it had entered into a loan facility agreement for up to US\$113.0 million with Komatsu Financial Limited Partnership for the purchase of equipment for the Boikarabelo Project. Under the terms of the loan facility, the facility will not be activated until debt funding necessary to complete the development of the Boikarabelo Project has been secured. We note that the loan facility agreement with Komatsu Financial Limited Partnership has since been terminated.

On 26 February 2015, Resgen announced funding negotiations were underway with Rand Merchant Bank ('RMB'), HSBC Bank's Johannesburg branch ('HSBC'), the Industrial Development Corporation of South Africa ('IDC'), the Public Investment Corporation SOC Limited ('PIC'), Noble and the Export Finance & Insurance Corporation ('EFIC') for alternate funding of the Boikarabelo Project. HSBC and EFIC have subsequently withdrawn their involvement.

On 30 September 2015, Resgen announced it had entered into a Memorandum of Understanding with Swiss private company HAB & JPR Privee ('HAB'), for the provision of funding of the Boikarabelo Project totalling €480 million across two instalments. On 26 February 2016, following a management restructure, Resgen announced it would no longer pursue funding from HAB and that the arrangement has been discontinued.



On 8 August 2016, Resgen announced that its subsidiary LCL had entered into an agreement with RMB, IDC, PIC and Noble ('the Syndicate') to secure funding of 5.52 billion South African Rand ('ZAR') (A\$515.0 million) to complete construction of the Boikarabelo Project to the point of commissioning. RMB has since withdrawn involvement. The funding package was reliant on Resgen pursuing a contract mining approach for the Boikarabelo Project and securing a number of relevant contracts and off-take agreements, including with South African public electricity utility, Eskom.

On 14 March 2017, Resgen announced that it had signed an extension of the Facility with Noble, under which additional funds of up to \$8.4 million were made available to LCL to fund the ongoing administration, project management and development costs of the Boikarabelo Project. The funds were made available in three tranches over the period to 30 September 2017, at which point the fully drawn Facility totalled US\$28.4 million.

On 7 December 2017, a further extension of the Facility with Noble was announced, under which an additional US\$3.8 million was made available to LCL for the continued development of the Boikarabelo Project. The additional funds were available in monthly tranches over the period to 31 March 2018. The total Facility made available by Noble following the extension was US\$32.2 million.

On 29 March 2018, Resgen announced a further US\$2.50 million extension of the Facility with Noble which were to be drawn down in monthly instalments over the period to 31 July 2018. The agreement also included deferred repayments until 1 August 2018. The total facility following the extension totalled US\$34.7 million.

On 16 April 2018, Resgen announced that the first party of the Syndicate, IDC, had completed its credit approval process and executed a Bilateral Senior Loan Facility Agreement with LCL, subject to a number of conditions precedent. Under a revised funding solution with the Syndicate, the agreement is no longer subject to a committed domestic coal supply agreement with Eskom. The remaining two parties are still involved in the internal credit approval process for the agreement.

On 1 August 2018, Resgen announced an additional US\$2.50 million extension of the Facility with Noble with repayments deferred until 1 November 2018. The total facility following the extension totalled US\$37.2 million.

As of the most recent market update provided by Resgen on 13 September 2018, the Company expects to receive approval from the final lenders in the Syndicate by the end of November 2018. Resgen is also continuing dialogue with an alternative third party as a substitute or complimentary party in the Syndicate and anticipates the financial close for project funding will be achieved by 31 March 2019.



5.6 Historical Consolidated Statements of Financial Position

Consolidated Statement of Financial Position	Audited as at 30-Jun-18 \$'000	Audited as at 30-Jun-17 \$'000	Audited as at 30-Jun-16 \$'000
CURRENT ASSETS			
Cash and cash equivalents	1,729	4,682	11,955
Trade and other receivables	82	170	146
Deposits & Prepayments	168	180	174
TOTAL CURRENT ASSETS	1,979	5,032	12,275
NON-CURRENT ASSETS			
Property, plant and equipment	32,323	33,081	30,365
Mining tenements and mine development	161,719	153,677	128,644
Deposits	1,207	2,042	1,859
TOTAL NON-CURRENT ASSETS	195,249	188,800	160,868
TOTAL ASSETS	197,228	193,832	173,143
CURRENT LIABILITIES			
Trade and other payables	6,302	8,185	6,967
Provisions	563	300	180
Borrowings	19,660	12,665	3,887
TOTAL CURRENT LIABILITIES	26,525	21,150	11,034
NON-CURRENT LIABILITIES			
Provisions	2,150	2,175	1,983
Borrowings	44,420	34,115	35,728
Royalties payable	1,645	1,869	1,946
TOTAL NON-CURRENT LIABILITIES	48,215	38,159	39,657
TOTAL LIABILITIES	74,740	59,309	50,691
NET ASSETS	122,488	134,523	122,452
EQUITY			
Contributed equity	223,622	223,622	223,622
Reserves	(38,603)	(36,910)	(50,955)
Accumulated losses	(62,531)	(52,189)	(50,215)
TOTAL EQUITY	122,488	134,523	122,452

Source: Resgen's Annual Reports for the years ended 30 June 2016, 30 June 2017 and 30 June 2018

We note that the Company's auditor issued an unmodified audit report with no qualifications for the years ended 30 June 2016, 30 June 2017 and 30 June 2018. However, we note that the Company's auditor outlined in each of these reports, the existence of material uncertainty relating to the ability of the Company to continue as a going concern.

Commentary on Historical Consolidated Statements of Financial Position

We note the following in relation to Resgen's historical consolidated statements of financial position:

• Cash and cash equivalents decreased by \$2.95 million from \$4.68 million at 30 June 2017 to \$1.73 million at 30 June 2018. The decrease was primarily attributable to payments of \$6.05 million to suppliers and employees, payments of \$5.05 million for mining tenements and development, and the



repayment of \$2.50 million in borrowings. These outflows were partially offset by \$10.47 million in drawdowns on the Facility during the period.

- Property, plant and equipment of \$32.32 million at 30 June 2018 primarily comprised land and buildings of \$31.85 million.
- Mining tenements and mine development increased by \$8.04 million from \$153.68 million at 30 June 2017 to \$161.72 million at 30 June 2018. This related to the development of the Boikarabelo Project and its tenements.
- Current borrowings increased by \$7.00 million from \$12.67 million at 30 June 2017 to \$19.66 million at 30 June 2018, as a result of extensions of the Facility over the period. The current proportion of the Facility is now worth \$17.58 million. Current borrowings at 30 June 2018 also included \$2.08 million relating to a deferred payment plan with EHL Energy Pty Ltd for the construction of the electricity sub-station at the Boikarabelo Project ('EHL Loan').
- Non-current borrowings of \$44.42 million at 30 June 2018 comprised \$42.91 million relating to the Facility and \$0.51 million relating to the EHL loan.

5.7 Historical Statements of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-18 \$'000	Audited for the year ended 30-Jun-17 \$'000	Audited for the year ended 30-Jun-16 \$'000
Revenue			
Interest Revenue	218	182	210
Other Income	333	577	69
Expenses			
Administration, rent and corporate	(3,211)	(3,606)	(1,638)
Depreciation of property, plant and equipment	(380)	(387)	(334)
Employee benefit expense	(2,467)	(2,640)	(3,682)
Finance expenses	(1,626)	(3)	(22)
Share based payments expense	(203)	(355)	1,906
Unrealised foreign exchange movements	(3,006)	4,257	(4,165)
Loss before income tax	(10,342)	(1,975)	(7,656)
Income tax expense	-	1	(1)
Loss for the period			
Exchange differences on translation of foreign operations	(1,854)	13,648	(19,550)
Total comprehensive profit/(loss) for the year	(12,196)	11,674	(27,207)

Source: Resgen's Annual Reports for the years ended 30 June 2016, 30 June 2017 and 30 June 2018

Commentary on Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

We note the following in relation to the Resgen's historical statements of profit or loss and other comprehensive income:

• Depreciation of property plant and equipment of \$0.38 million primarily related to depreciation of \$0.12 million on computer equipment and \$0.20 million on motor vehicles.



 Unrealised foreign exchange movements and exchange differences on the translation of foreign operations occurred as a result of fluctuations in the exchange rate between the ZAR and the A\$.

5.8 Capital Structure

The total number of ordinary shares on issue in Resgen as at 31 August 2018, comprised 454.33 million quoted on the ASX and a further 127.06 million quoted on the JSE. The share structure of Resgen as at 31 August 2018 is outlined below:

	Number
Total ordinary shares on issue	581,380,338
Top 20 shareholders	424,354,678
Top 20 shareholders - % of shares on issue	72.99%

Source: Resgen's annual report for the year ended 30 June 2018

The range of shares held in Resgen as at 31 August 2018 is as follows:

Range of shares held	Number of ordinary shareholders	Number of ordinary shares	Percentage of issued shares
1 - 1,000	569	255,035	0.04%
1,001 - 5,000	631	1,787,674	0.31%
5,001 - 10,000	337	2,775,205	0.48%
10,001 - 100,000	747	28,398,185	4.88%
100,001 - and over	304	548,164,239	94.29%
Total	2,588	581,380,338	100.00%

Source: Resgen's annual report for the year ended 30 June 2018

The ordinary shares held by the most significant shareholders as at 31 August 2018 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Government Employees Pension Fund (PIC)	113,309,805	19.49%
Noble Resources International Pte Ltd	79,609,933	13.69%
Shinto Torii Inc	62,124,089	10.69%
Integrated Coal Mining Limited & Associates	30,463,175	5.24%
Subtotal	285,507,002	49.11%
Others	295,873,336	50.89%
Total ordinary shares on Issue	581,380,338	100.00%

Source: Resgen's annual report for the year ended 30 June 2018

There are currently no unlisted options on issue in Resgen, however there are 5.70 million performance rights granted to five employees.



6. Profile of Noble

6.1 Background

Noble is an investment holding company listed on the Singapore Exchange, with headquarters located in Hong Kong. Noble manages a portfolio of global supply-chains across the agriculture, energy, metals and mining industries, focused particularly on transforming physical commodities into consumable products. Through its offering of logistics, risk management, processing and financing services, Noble takes an active role in investment partnerships, seeking to connect low-cost producing regions with high-demand growth markets. As at 31 August 2018, Noble is the second largest shareholder of Regen with 13.69%.

Noble operates from over 140 locations worldwide and has extensive experience in managing energy coal production with an established network of both producers and consumers. In April 2013, Noble was appointed as the sole supply chain management and marketing advisor for the Boikarabelo Project for both domestic and export coal sales for a period of 35 years. Noble has secured offtake agreements for export over the entire period, in addition to domestic offtake agreements for eight years.

7. Economic analysis

Australian Economic Analysis

The Australian economy remains on track to achieve sustained growth in coming years, with the pace of growth increasing. Supported by domestic monetary policy, latest national accounts show an increase in Gross Domestic Product ('GDP') of 3.4%, with this trend forecast to continue. The Reserve Bank of Australia ('RBA') board are in agreeance that holding monetary policy unchanged is consistent with achieving sustainable growth in the Australian economy. In general, conditions remain positive, and growth in non-mining sector is expected to continue.

Australia's terms of trade have increased over recent years, primarily driven by increases in some commodity prices such as coal. Sustained global demand should continue to boost exports, and record export volumes are forecast over the next two years. After which, demand is expected to stabilise at a high level as major projects reach their targeted production levels.

Low interest rates continue to support spending and growth of the Australian economy. Money market rates are higher than they were at the start of the year, despite a downward trend since June. To partially offset the increase, some lenders have marginally increased their standard variable mortgage rates. The RBA is likely to consider increasing interest rates in the near future, if the economy continues to display sustainable growth.

The outlook for the labour market remains encouraging, with the unemployment rate of 5.3% at its lowest in six years. Furthermore, leading indicators of employment growth point to above-average growth in the period ahead. This is also supported by an increase in the amount of job vacancies. Above-trend GDP growth is expected to increase in the coming years, which may lead to increasing inflationary pressure.

Global Economic Analysis

Global economic expansion is continuing, with advanced economies growing at above-trend rates. Despite a global cyclical upswing, world growth is becoming less synchronised with the rate of expansion peaking in some countries and not others. Among emerging markets and developing economies, growth projections



are declining due to escalating trade tensions and higher United States of America Government bond yields.

The growth of China's economy continues to slow, despite authorities easing monetary policy. However, the demand for industrial inputs such as iron ore, coal and gas from China remains significant. Globally, inflation remains low although it has increased due to both higher oil prices and an increase in wages growth. In the United States, inflation is forecast to increase from tight labour market conditions and fiscal stimulus.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision, www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018 www.reuters.com/article/us-china-cenbank-banks/china-boosts-liquidity-set-for-more-policy-easing-as-trade-war-threatens-economy-idUSKBN1K91KB

8. Industry analysis

Coal is a combustible sedimentary rock found below the earth's surface and comprises mostly carbon (50-98%), hydrogen (3-13%), oxygen and small amounts of other elements including nitrogen and sulphur. When burnt, coal releases energy as heat which can be utilised in variety of processes, including energy generation. The quality of a coal deposit is determined by the temperature and pressure at which the deposit is formed in addition to the length of time in formation, commonly known as its 'organic maturity'. There are two methods generally used to mine coal, being opencast mining and underground mining, with the choice of extraction largely determined by the geology of the coal deposit.

The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank brown coals such as Lignite generally possess a much lower organic maturity, have a soft texture, a dull earthly appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked black coals such as Anthracite, which is the highest quality and scarcest type of coal, are harder, stronger, contain less moisture, and produce more energy. Black coal can be categorised into two main types, metallurgical (coking) coal and thermal (steaming) coal.

Due to its high carbon content and caking ability, metallurgical coal is used in the production of both iron and steel and to a lesser extent, for the smelting and casting of base metals. Of the different types of metallurgical coal, hard coal is the most valuable as it has the lowest ash and moisture content and produces the highest quality coke and most energy. Semi soft coking coal and Pulverised Coal Injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Thermal coal generally contains less carbon than metallurgical coal and consequently cannot be used in the production of steel. Its primary use is therefore as an energy source for coal-fired power plants where it is pulverised and burnt to heat steam generating boilers. Globally, the major producers of thermal coal are China, United States of America and India, with the largest importers being China, India, Japan and South Korea.

Resgen's primary asset, the Boikarabelo Project is located on a coal seam between 20 and 30 metres below the surface, enabling low-cost, open-cut mining. The resource contains varying qualities of thermal and soft-coking coal. Resgen has off-take agreements in place for the Boikarabelo Project with Noble, for both export and domestic thermal coal product for a period of 35 and eight years, respectively.



8.1 Global Thermal Coal Industry

For over five decades, thermal coal has been the dominant fuel source used in power generation, representing almost 40% of the global market. Despite concerns surrounding greenhouse gas emissions and significant growth in renewable energy sources, BP's 2018 Energy Outlook predicts that coal will remain the leading source well into future, still representing almost 30% by 2040.

According to the International Energy Agency, global thermal coal production for 2017 increased by 3.93% on 2016, to 5.67 billion tonnes, representing 75.22% of all coal production. The largest producers were Indonesia, Australia, Russia, Columbia and South Africa. Thermal coal consumption also increased, up 1.4% to 5.77 billion tonnes.

Global trade volumes of thermal coal are expected to increase by 1.10% in 2018, however will remain relatively unchanged in 2019 and 2020. This decrease in trade volumes is expected to be driven by reduced import demand from China, India and South Korea, three of the world's largest thermal coal consumers, as their domestic production provides for the majority of demand.

A number of countries are also increasingly investing in advanced technology coal-fired power plants and alternative energy sources in a bid to improve energy efficiency and reduce the environmental impact of energy production. While the share of coal-fired power generation in the major developed countries is declining, developing countries are still experiencing growth, resulting in only a moderate decrease in consumption.

Source: BP 2018 Energy Outlook, the International Energy Agency Coal Information Overview 2018 and the Department of Industry Innovation and Science Resources and Energy Quarterly September 2018.

8.2 Coal Prices

Historical spot prices for thermal coal exported from Newcastle, which we have adopted as the benchmark price, and forecast prices to 2027 are illustrated in the chart below:



Thermal Coal - Spot and Forecast Price

Source: Bloomberg and Consensus Economics



8.3 South African Coal Industry

South Africa is the seventh largest producer and the fifth largest exporter of thermal coal globally, exporting 45 million tonnes in the first seven months of 2018. It is known for its high quality bituminous coals with high energy and low sulphur content. However, in recent years there has been a shifting trend toward the export of lower energy products, particularly as the Indian market grows. Approximately one third of all coal produced in South African is exported, primarily through the Richards Bay Coal Terminal, the largest coal export terminal in Africa. In 2017, the key export markets for South African coal were India, China and the Netherlands.

At present, coal production in South Africa is largely concentrated in the Mpumalanga region, although some recent estimates suggest the largely undeveloped Waterberg region may hold up to 40% of the national reserve. South Africa's coal deposits are relatively shallow making them some of the easiest and cheapest in the world to mine, with 49% of production occurring through open-pit mining. The industry is highly concentrated and over 80% of all saleable coal is produced by five companies.

The South African domestic market for thermal coal is dominated by demand for electricity production, with almost 80% of South Africa's energy production being generated by coal. This is a trend that is expected to continue over the next two decades due to a lack of readily available alternative energy sources and infrastructure. The South African Government National Development Plan outlines long-term objectives focused on a shift away from coal-fired energy generation toward alternatives including gas and eventually renewable sources, however at present the industry remains highly price sensitive and focused on utilising existing infrastructure and resources. A near-term objective of the plan is to exploit the potential of coal deposits in the Waterberg region and upgrade existing infrastructure and coal-fired power stations.

Government owned power utility, Eskom, is the largest individual consumer accounting for approximately 65% of domestic consumption. Recently, Eskom has experienced financial difficulties due to large debts and a number of key supply contracts expiring. This poses a risk that the utility will be unable to secure coal prices it can afford and may see potential Government intervention in the near term.

The largest challenge facing the South African coal industry is a lack of investment in new projects and port infrastructure. The supply capacity of existing mines falls short of forecast domestic demand beyond 2018 and 2021 in the export market. While investment in new mines is necessary to sustain the current rate of production and meet forecast demand, recent political uncertainty and a lack of clarity surrounding Government reform has hampered progress.

Source: South African Government Department of Energy, Australian Government Department of Industry, Innovation and Science Resources and Energy Quarterly March 2018 and September 2018



9. Assessment approach adopted

RG 111.57 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the company to the related party is equal to or less then the value of the consideration being provided to the company.

In the case of the Transaction, the financial benefit provided by Resgen to Noble, is the Share Pledge, pursuant to which, Resgen will cede shares in LCL to Noble, up to the equivalent cash amount sufficient to repay the Secured Obligations, in the Event of Default on the Facility by LCL. The consideration being provided to Resgen is the Secured Obligations payable to Noble.

The Transaction is fair if the value of the Share Pledge provided, is equal to, or less than the value of the Secured Obligations settled in the Event of Default.

We have undertaken this analysis by observing the various scenarios that may arise in comparing the Share Pledge with the Secured Obligations.

10. Is the Transaction fair?

As stated in Section 9, the Transaction is fair if the value of the Share Pledge provided is equal to, or less than the value of the Secured Obligations settled in the Event of Default. Therefore, the Transaction is not fair if the value Share Pledge is greater than the Secured Obligations settled in the Event of Default.

We have considered the various scenarios which could occur in the Event of Default on the Facility.

In a scenario that the value of the Share Pledge (Resgen's 74% interest in LCL), is greater than or equal to the Secured Obligations, Noble would only be entitled to receive shares in LCL up to the equivalent cash amount sufficient to repay the Secured Obligations.

In a scenario that the value of the Share Pledge (Resgen's 74% interest in LCL), is less than the Secured Obligations, Resgen would cede its entire 74% interest in LCL to Noble.

These scenarios can be summarised as follows:

Scenario			Consequence			Fairness
Share Pledge	>	Secured Obligations	Share Pledge	=	Secured Obligations	Fair
Share Pledge	=	Secured Obligations	Share Pledge	=	Secured Obligations	Fair
Share Pledge	<	Secured Obligations	Share Pledge	<	Secured Obligations	Fair

Source: BDO analysis

Under the terms of the Share Pledge, in the Event of Default, Noble is only entitled to receive shares in LCL up to the equivalent cash amount to repay the Secured Obligations. If the value of the Share Pledge is greater than the Secured Obligation, any amount remaining after the sale or realisation of LCL shares will be paid back to Resgen. Consequently, the value of the Share Pledge is equal to or less than the value of the Secured Obligations in all scenarios. Therefore, we consider the Transaction to be fair for Shareholders.



11. Is the Transaction reasonable?

11.1 Advantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential advantages to Shareholders include those outlined below:

11.1.1. The Transaction is fair

As set out in Section 10, the Transaction is fair. RG 111 states that an offer is reasonable if it is fair. In the Event of Default on the Facility by the LCL, Noble's entitlement in relation to the Share Pledge is limited to the outstanding Secured Obligations.

11.1.2. The Transaction will result in the Company being under less cash flow strain and allow it to continue to fund the administration, project management and development costs of the Boikarabelo Project, whilst project funding is secured

We note that the Company's auditor issued an Emphasis of Matter in the audited financial reports for the years ended 30 June 2016, 30 June 2017 and 30 June 2018. The auditor outlined the existence of material uncertainty in relation to the Company's ability to continue as a going concern.

As at 30 June 2018, Resgen had a cash and cash equivalents balance of \$1.73 million. Under the current terms of the amended Facility, the initial instalment of US\$20 million will become repayable in instalments commencing from 1 November 2018. Therefore, after making the scheduled repayments and interest payments on the Facility, the Company would be under significant cash flow strain if the Transaction is not approved.

If the Transaction is approved, the first instalment will be delayed until 30 June 2019, and Noble will make available an additional US\$4.7 million which can be used to continue to fund the administration, project management and development costs of the Boikarabelo Project, whilst project funding is secured.

11.1.3. Alternative sources of funding may need to take the form of convertible debt

Due to the Company's high levels of existing debt, it is unlikely that Resgen will be able to source additional bank funding from a third party. In the event that Shareholder approval is not granted for the Transactions, Resgen may need to seek convertible debt as an alternative source of funding, in order to continue the development of the Boikarabelo Project, as detailed above.

Prima facie, the terms of the Facility appear more favourable than other sources of potential convertible debt finance. In particular, the Facility has no conversion feature, which would potentially dilute existing shareholders' interests in the Company.

11.1.4. The Facility does not include any fees or penalties for prepayments

Under the terms of the Facility, the Company is entitled to prepay the Facility at any time without incurring fees or penalties. It is not uncommon for prepayments under terms provided by non-bank financiers to incur fees and or penalties.



11.1.5. The Facility supports debt funding

The provision of the Share Pledge enables the Company to obtain the debt funding that it requires. If Resgen seeks alternative funding through bank debt, it is most likely that there will be a requirement by bank lenders to furnish adequate collateral to secure the bank debt. Therefore, the provision of the Share Pledge for debt funding purposes is not unusual.

11.2 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those outlined below:

11.2.1. Resgen may have to cede its 74% interest in LCL to Noble in the Event of Default

In the Event of Default by the LCL on the Facility, the Share Pledge will require Resgen to cede shares in LCL to Noble, up to the cash amount sufficient to repay the outstanding Secured Obligations.

If the value of the Secured Obligations is greater than Resgen's 74% interest in LCL, the Company will be required to cede its entire 74% interest in LCL to Noble. If the value of the Secured Obligations is less than Resgen's 74% interest in LCL, the Company will be required to cede shares in LCL to Noble, up to the cash amount sufficient to repay the outstanding Secured Obligation, with any amount remaining after the sale or realisation of LCL shares to be paid back to Resgen. This will result in the dilution of the Company's interest in LCL.

11.3 Other considerations

11.3.1. Alternative proposal

We are unaware of any alternative proposal that might offer the Shareholders of Resgen a premium over the value resulting from the Transaction.

11.3.2. Fiduciary duty of the Company's directors

As stated in Section 4, the Share Pledge will only be enforced in the Event of Default by the Company. The directors of the Company and its subsidiaries have a fiduciary duty to act in the best interest of the Company as a whole, which would entail exploring all available options to mitigate the Event of Default and resultant call on the Share Pledge.

In the event that LCL was close to exhibiting an Event of Default, the directors of the Company and its subsidiaries, would be expected to explore mitigating options including but not limited to the following:

- liquidate a portion of the Company's assets and use the proceeds to avoid the Event of Default;
- divert funding away from the development of the Boikarabelo Project, to satisfy the Secured Obligations; and
- seek additional debt funding, which can be used to meet the Secured Obligations and avoid the Event of Default.

These actions may require the consent of Noble, which should not be unreasonably withheld or delayed.



12. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of any other relevant information, or a superior offer, the Transaction is fair and reasonable to Shareholders.

13. Sources of information

This report has been based on the following information:

- draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- audited financial statements of Resgen for the years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- the Facility agreement and subsequent deeds of amendment;
- the Share Pledge Agreement;
- Bloomberg;
- Consensus Economics;
- Reserve Bank of Australia's Monetary Policy Decision Statement by Governor Phillip Lowe;
- IMF's World Economic Outlook Update;
- BP 2018 Energy Outlook;
- the International Energy Agency Coal Information Overview 2018;
- the Department of Industry Innovation and Science Resources and Energy Quarterly for September 2018:
- South African Government Department of Energy;
- Australian Government Department of Industry;
- share registry information; and
- discussions with Directors and Management of Resgen.

14. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Resgen in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Company, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Resgen and Noble, and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Resgen and Noble, and their respective associates.



A draft of this report was provided to Resgen and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

15. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Global Natural Resources Leader for BDO.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

16. Disclaimers and consents

This report has been prepared at the request of Resgen for inclusion in the Explanatory Memorandum which will be sent to all Shareholders. Resgen engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report in relation to the share pledge agreement that Resgen has entered into with Noble, a related party of the Company.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference



thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Noble. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to Shareholders, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director



Appendix 1 - Glossary of Terms

Reference	Definition
A\$	Australian Dollars
AFCA	Australian Financial Complaints Authority
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
BEE	Black Economic Empowerment
the Boikarabelo Project	The Boikarabelo Coal Mine
the Company	Resource Generation Limited
EFIC	Export Finance & Insurance Corporation
EHL Loan	Deferred payment plan with EHL Energy Pty Ltd for the construction of the electricity sub-station at the Boikarabelo Project
Event of Default	If LCL does not pay or satisfy the obligations under the Facility in full, on the due date
the Facility	The debt facility of US\$37.2 million provided by Noble
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GDP	Gross Domestic Product
НАВ	HAB & JPR Privee
HSBC	HSBC Bank's Johannesburg branch
IDC	Industrial Development Corporation of South Africa
km²	Square kilometers



Reference	Definition		
LCL	Ledjadja Coal Pty Ltd		
Noble	Noble Resources International Pte Ltd		
Obligor	Resgen, as guarantor for the Facility, and LCL, as borrower		
Parent Guarantee	Resgen irrevocably and unconditionally guarantees to Noble, the satisfaction and payment in full, of all obligations under the debt facility agreement		
PIC	Public Investment Corporation SOC Limited		
R\$	South African Rand		
RBA	Reserve Bank of Australia		
our Report	This Independent Expert's Report prepared by BDO		
RG 111	Content of expert reports (March 2011)		
RG 112	Independence of experts (March 2011)		
Resgen	Resource Generation Limited		
RMB	Rand Merchant Bank		
Secured Obligations	Obligations of LCL under the debt facility		
Shareholders	Shareholders of Resgen not associated with Noble		
Share Pledge	Resgen's pledge of its shares in LCL to Noble, as security for the due and punctual performance of the Secured Obligations		
the Syndicate	RMB, IDC, PIC and Noble		
the Transaction	The further extension of the debt facility agreement between the Company's subsidiary LCL, and lender, Noble		
US\$	United States Dollars		
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.		
Waterberg One	Waterberg One Coal Pty Ltd		



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YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded before 10:00am (Brisbane time) on Wednesday 28 November 2018.

■ TO VOTE ONLINE

STEP 1: VISIT https://www.votingonline.com.au/resgenagm2018

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):



BY SMARTPHONE

Scan QR Code using smartphone QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form must be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. Please indicate the office held by signing in the appropriate place.

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by 10:00am (Brisbane time) on Wednesday, 28 November 2018. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

■ Online https://www.votingonline.com.au/resgenagm2018

■ By Fax + 61 2 9290 9655

Boardroom Pty Limited GPO Box 3993,

Sydney NSW 2001 Australia

In Person

Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Resource Generation Limited

ACN 059 950 337

			Your Address This is your address as it appears on the co If this is incorrect, please mark the box wi correction in the space to the left. Security broker should advise their broker of any ch Please note, you cannot change owners using this form.	th an "X" and make the holders sponsored by a hanges.							
PROXY FORM											
STEP 1	APPOINT A PROXY										
		Company) and entitled to attend and vote hereby a	ppoint:								
	the Chair of the Meeting (mark box)		· • · · · · · ·								
OR if you are		vour proxy please write the name of the person o	r hody corporate (excluding the registered so	ecurityholder) you are							
OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below											
or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 on Friday, 30 November 2018 at 10:00am (Brisbane time) and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.											
the Meeting be	comes my/our proxy by default and I/we have	es on remuneration related matters: If I/we have a e not directed my/our proxy how to vote in respect on the following has been as the connected with the remunerations of the connected with the remunerations of the connected with the remunerations.	of Resolution 3, I/we expressly authorise the	Chair of the Meeting							
		vour of all Items of business (including Resolution an item, you must provide a direction by marking th									
STEP 2	VOTING DIRECTIONS * If you mark the Abstain box for a particular be counted in calculating the required major	ar item, you are directing your proxy not to vote on ority if a poll is called.	your behalf on a show of hands or on a poll a	and your vote will not							
			For	Against Abstain*							
Resolution 1	Re-Election of Mr Lulamile Lincoln Xate as	a Director									
Resolution 2	Re-Election of Dr Konji Sebati as a Directo	r									
	,										
Resolution 3	Adoption of the Remuneration Report (Nor	n-Binding)									
Resolution 4	Appointment of BDO Audit Pty Ltd as Audi	tor									
Resolution 5	Approval for the grant and exercise of the										
Resolution	reproved for the grant and exercise of the	WITE Scounty									
STEP 3	SIGNATURE OF SECURITYH This form must be signed to enable your d										
Individual or Securityholder 1		Securityholder 2	Securityhold	Securityholder 3							
Sole Direct	or and Sole Company Secretary	Director	Director / Company	Secretary							
Contact Name		Contact Daytime Telephone	Date	/ / 2018							