



3 December 2019

ASX Announcement

ASX Listing Rule 10.1 Waiver - Additional US\$2.5m working capital funding announced on 8 October 2019

Summary

- **Resgen secures a waiver from ASX Listing Rule 10.1 in order to grant security in respect of the further US\$2.5m in conditional funding from Noble announced on 8 October 2019;**
- **Resgen complies with the waiver requirement to release a market update setting out the waiver conditions;**
- **Resgen to finalise the legal documentation for the further extension of up to US\$2.5m together with satisfying the remaining drawdown conditions precedent; and**
- **Resgen and Noble agree that the extension of additional working capital will be available through to 31 March 2020.**

Resource Generation Limited (ASX:RES) (**ResGen** or **Company**) announced to the market on 8 October 2019 that a conditional agreement had been reached with Noble Resources International Pte Ltd (**Noble**) to provide up to an additional US\$2.5m in working capital.

The legal documentation to support this conditional commitment is in the process of being drafted as an amendment to the facility agreement originally entered into between Noble and Ledjadja Coal (Pty) Ltd (**Ledjadja**), being the subsidiary holding ResGen's interest in the Boikarabelo Coal Mine project (**Project**), in March 2014 (**Facility Agreement**). ResGen is the guarantor of Ledjadja's obligations under the Facility Agreement.

One of the conditions of this further extension to the Facility Agreement is that the amount provided under the extension be secured by the existing Share Pledge granted in favour of Noble over ResGen's interest in 74% of the shares in Ledjadja (held through

a wholly owned subsidiary, Resgen Africa Holdings Limited (**RAHL**)). As Noble is a substantial shareholder in ResGen, the grant of security to it must comply with ASX Listing Rule 10.1. The original grant of the Share Pledge to Noble (securing up to US\$41.9m in advances as agreed in October 2018) was approved by Shareholders for the purposes of ASX Listing Rule 10.1 at the 2018 Annual General Meeting. However, the extension of any further amounts under the Facility Agreement cannot be secured under the Share Pledge without first obtaining a waiver of ASX Listing Rule 10.1 from ASX or obtaining another Shareholder approval.

In mid-October 2019, the Company submitted an application to ASX seeking a waiver from the application of ASX Listing Rule 10.1 to permit the Company, including its wholly owned subsidiary RAHL, to increase the amount secured by the Share Pledge provided to Noble to secure up to a further US\$2.5m in advances from Noble under the Facility Agreement without obtaining Shareholder approval. The Company is now pleased to advise that the ASX has granted this waiver, subject to certain conditions that are described below.

Approval of the Listing Rule waiver allows the Company to finalise as soon as possible a further amendment to the Facility Agreement (**Seventh Deed of Amendment**) and increase the amount secured by the Share Pledge to US\$46.9m plus accrued interest. The Seventh Deed of Amendment to allow for the additional funds to be available through to 31 March 2020 (previously 28 February 2020).

The conditions set out in the waiver granted to the Company by ASX are that:

- the Share Pledge include a term that if an event of default occurs and Noble exercises its rights under the Share Pledge, neither Noble or any of its associates can acquire any legal or beneficial interest in an asset of the Company or RAHL in full or part satisfaction of the Company's obligations under the Share Pledge, or otherwise deal with the assets of the Company or RAHL without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or a receiver or manager (or analogous person, including without limitation an administrator or liquidator) appointed by Noble exercising its power of sale under the Share Pledge and selling the asset to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to Noble in accordance with their legal entitlements. ResGen confirms that it is intended that the Share Pledge will contain a term to this effect;
- the Company provide a summary of the material terms of the Facility Agreement and Share Pledge in each Annual Report during the term of the Facility Agreement;
- any variation to the terms of the Share Pledge which is not a minor change or inconsistent with the terms of the waiver must be subject to Shareholder approval;

- the Company and Noble must seek to discharge the Share Pledge when the funds advanced to Ledjadja are either repaid, or if it is not discharged, seek Shareholder approval for the continuation of the Share Pledge for any further period; and
- that the Company releases to the Market an announcement which sets out the terms of the waiver, including:
 - the Company's plans with respect to the repayment of the funds advanced under the Facility Agreement, and discharge of the Share Pledge, including the timeframe within which it expects repayment and discharge to occur (as to which, see the details regarding repayment terms and release arrangements for the Share Pledge set out below); and
 - a statement of the reasons why the Company has chosen to obtain further funding and grant security to Noble, a Listing Rule 10.1 party, rather than a lender that is not a Listing Rule 10.1 party, and the steps that the Board took to satisfy itself that the transaction was being entered into is on arm's length terms and is fair and reasonable from the perspective of the Company's Shareholders.

In relation to the last item listed above, the following is noted:

- the Company requires additional working capital to reach financial close for funding of the Project (**Financial Close**) which is targeted for the end of March 2020 - see ASX Announcement on 3 December 2019 titled 'Execution of non-binding Term Sheets for construction of the Boikarabelo Coal Mine' (**Term Sheets**);
- the non-binding Term Sheets referred to above first need to be translated into binding agreements. Furthermore, a number of conditions precedent are required to be satisfied in order to reach Financial Close. Certain of these conditions are outside of the direct control of the Company making it difficult for the Company to provide any firmer forecast on timing;
- repayment of all Facility Agreement advances made by Noble post the original US\$20m loan (together with accrued interest) is planned to occur out of the first drawdown under the proposed Project funding after Financial Close;
- the Share Pledge must be released by Noble as one of the conditions precedent under the non-binding Term Sheets;
- the original Noble US\$20m loan, plus accrued interest, is proposed to become interest free at Financial Close and will be subordinated with the new shareholder loans contemplated under the non-binding Term Sheets;
- the Company determined that, if no further funding was obtained, it would be likely to exhaust its current working capital funding sometime in December 2019;
- the Company considered the available sources of funding 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; and
- the terms proposed by Noble were consistent with those previously negotiated and agreed under the Facility Agreement.

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Chairman

For and on behalf of the Board

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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.

Forward looking statements

This announcement contains certain forward-looking statements. Forward-looking statements include those containing words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of ResGen. This includes any statements about the terms on which ResGen might obtain funding from the Lending Syndicate. To the maximum extent permitted by law, the directors of ResGen, ResGen and any of its related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions, do not make any representation or warranty, express

or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfillment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

The term sheets referred to in this ASX announcement are non-binding and indicative in nature. Negotiations regarding the transactions described in those term sheets are ongoing and incomplete and there is no certainty that a transaction will be concluded based on the terms set out in those term sheets (or at all). ResGen makes no representations or warranties whatsoever as to the outcome of its engagement with the Lending Syndicate.