RESOURCE GENERATION LIMITED

ACN 059 950 337

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME:	10 am (Brisbane time) (2.00am South African time)
DATE:	7 April 2020
PLACE:	Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld 4000

This Notice of Meeting and accompanying Independent Expert's Report (which has concluded that, in the absence of an alternate offer, the proposed transaction which is the subject of the Resolution in the Notice of Meeting to be FAIR AND REASONABLE to Shareholders not associated with the PIC, IDC and Noble) should be read in their entirety and considered carefully by each Shareholder before making a decision on how to vote on the Resolution.

If Shareholders are in doubt as to how they should vote on the Resolution, 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the Extraordinary General Meeting of Shareholders of Resource Generation Limited will be held at 10.00 am (Brisbane time) (2.00am South African time) on 7 April 2020 at Minter Ellison, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, Qld 4000 for the purposes of considering and, if thought fit, passing the following proposed Resolution.

The accompanying Explanatory Statement and proxy form are part of this Notice of Meeting and should be read in conjunction with it. Unless otherwise defined, terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Resolution – Approval of the proposed Mine Funding Package

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

*"That, under and for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company and its subsidiaries, including Ledjadja Coal (Pty) Ltd (**Ledjadja**), entering into arrangements to give effect to, and to implement, the debt and equity funding arrangements with the Public Investment Corporation SOC Limited (**PIC**) as representative for the Government Employees Pension Fund and the Unemployment Insurance Fund, the Industrial Development Corporation of South Africa Limited (**IDC**) and Noble Resources International Pte. Ltd. (**Noble**), and any related or connected transaction or arrangement (including the grant and enforcement of security contemplated by those arrangements), on the terms and conditions of the Mine Funding Package as set out in the Explanatory Statement accompanying the Notice of Meeting."*

Independent Expert's Report

The Independent Expert has prepared a report on the terms and conditions of the Mine Funding Package and has concluded that, in the absence of an alternate offer, the transaction is FAIR and REASONABLE to Shareholders not associated with the PIC, IDC and Noble.

Refer to Section 1.6 of the Explanatory Statement for further details of the Independent Expert's Report. The full Independent Expert's Report is included as Schedule 2 to the Explanatory Statement accompanying this Notice of Meeting.

Shareholders are encouraged to read the Independent Expert's Report in its entirety before making a decision on how to vote on the Resolution.

Voting Exclusion Statement

In accordance with undertakings given to the Company (and in accordance with Listing Rules 10.1 and 14.11), the Company will disregard any votes cast on the Resolution by the PIC, IDC and Noble and any associate of the PIC, IDC and Noble, any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary Shares in the entity).

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

ATTENDANCE AND VOTING

VOTING ENTITLEMENTS

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

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 Extraordinary General Meeting will be the entitlement of that person as set out in the register of Shareholders as at 6pm (Brisbane time) on Sunday 5 April 2020. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Extraordinary General Meeting.

HOW TO VOTE

Voting entitlement on a poll

On a poll, each Shareholder present (in person or by proxy, attorney or corporate representative) has one vote for each Share they hold. The Chair will put the Resolution to a poll.

Required voting majority

The Resolution must be approved by Shareholders whose Shares in aggregate account for greater than 50% of the votes cast on the Resolution (whether in person or by proxy, attorney or corporate representative).

Voting in person

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above in this Notice of Meeting.

Voting by proxy

Please note that:

(a) a Shareholder entitled to attend and vote at the Extraordinary 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 Extraordinary General Meeting or handed in at the Extraordinary General Meeting when registering as a corporate representative.

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

ASX registered shareholdings:

(i) deliver 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; or

(iii) fax proxy form to Boardroom Pty Limited on facsimile number (61) 2 9290 9655; or

(iv) vote online at www.votingonline.com.au/resgengm2020 and follow the prompts.

so that it is received not later than 10.00 am (Brisbane time) on Sunday 5 April 2020. Proxy forms received later than this time will be invalid.

JSE registered shareholdings:

(i) deliver by hand to the Company's share registry Computershare Investor Services Pty Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank,2196 ; or

(ii) by post to Computershare Investor Services Pty Limited, Private Bag X9000, Saxonwold , 2132, South Africa; or

(iii) email to proxy@computershare.co.za so that it is received not later than 10.00 am (South African time) on Friday 3 April 2020. Proxy forms received later than this time will be invalid.

Your proxy form is enclosed as a separate document.

Voting by attorney

Attorneys are requested to bring a power of attorney under which they are appointed. Proof of identify will also be required for attorneys.

Voting by 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.

Chairman acting as proxy

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 the 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 the Resolution.

TIMETABLE FOR BOTH ASX AND JSE REGISTERED SHAREHOLDERS

Estimated record date by which Shareholders must be recorded on the Register in order to receive this Notice of Extraordinary General Meeting and Explanatory Statement	28 February 2020
Target date for releasing the Notice of Extraordinary General Meeting and Explanatory Statement on the ASX and JSE and publishing on the Company's website	5 March 2020
Last day to trade Shares in order to be recorded on the Register to be eligible to participate in and vote at the EGM: - ASX holdings (T+2) - JSE holdings (T+3)	 1 April 2020 31 March 2020
Voting record date for Shareholders to be recorded on the Register to be eligible to participate in and vote at the EGM: - ASX holdings - JSE holdings	 COB 3 April 2020 COB 3 April 2020
Latest time for submission of Form of Proxy to: - ASX holdings - Share registry - Boardroom Pty Ltd - JSE holdings - Transfer secretaries, Computershare Investor Services Proprietary Limited	 10.00 am Sunday 5 April 2020 (Brisbane time) 10.00 am Friday 3 April 2020 (South African time)
Latest time by which JSE Dematerialised Shareholders (other than "own name" registered Dematerialised Shareholders) who wish to attend the EGM are required to provide a copy of their letters of representation to the Company	7 April 2020
Date of the Extraordinary General Meeting	7 April 2020
Results of the EGM to be released to the ASX and JSE and published on the Company's website	7 April 2020

DATED: This 27th day of February 2020

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 Extraordinary General Meeting to be held at 10.00 am (Brisbane time)(2.00am South African time) on 7 April 2020 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 Company believes is material to Shareholders in deciding whether or not to pass the Resolution in the Notice of Meeting.

The Independent Expert has concluded that, in the absence of an alternate offer, the proposed transaction is **FAIR AND REASONABLE** to Shareholders not associated with the PIC, IDC and Noble.

Shareholders are encouraged to read the Independent Expert's Report in its entirety before making a decision on how to vote on the Resolution.

Forward looking statements

This Explanatory Statement 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 the Company. To the maximum extent permitted by law, the Directors, the Company 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).

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Introduction

The Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Minter Ellison Offices, Level 22, Waterfront Place, 1 Eagle Street, Brisbane, QLD on 7 April 2020 at 10.00am (Brisbane time) (2.00am South African time).

The Explanatory Statement forms part of the Notice, which should be read in its entirety. The Explanatory Statement contains the terms and conditions on which the Resolution will be voted.

The Explanatory Statement includes the following information to assist Shareholders in deciding how to vote on the Resolution:

Section 1.1 - Background

Section 1.2 - Reasons for entering into the Mine Funding Package

Section 1.3 – Key Advantages and Disadvantages of the proposed Mine Funding Package

Section 1.4 - Potential Position of Shareholders if Resolution is Not Approved

Section 1.5 - Requirement for Shareholder approval

Section 1.6 - Conclusion of the Independent Expert

Section 1.7 - Shareholder Approval

Section 1.8 - Board Recommendation

Section 2 - Glossary

Schedule 1 - Material terms of the proposed Mine Funding Package

Schedule 2 - Independent Expert's Report

A Proxy Form is a separate document to the Explanatory Statement

1. RESOLUTION – APPROVAL OF THE PROPOSED MINE FUNDING PACKAGE

1.1 Background

On 5 December 2019, the Company announced that Ledjadja, as the borrower, and the Company, as the guarantor, had entered into binding agreements with the PIC, the IDC and Noble (as Lenders) for a Mine Funding Package to construct the Boikarabelo Coal Mine (**Project**).

The Mine Funding Package comprises a Debt Component and Equity Component totalling a combined ZAR 4.2b (approx. A$ 420 million applying an ZAR:AUD exchange rate of 10:1*) which excludes the additional debt facility that is being arranged for ramp-up working capital of ZAR 550 million (approx. A$ 55 million applying an ZAR:AUD exchange rate of 10:1*)

(**Ramp-up Working Capital Facility**) and the additional funding that is being arranged for construction of 44km's of rail infrastructure to link the Project to the Transnet main line of ZAR 750 million (approx. A$ 75 million applying an ZAR:AUD exchange rate of 10:1*). The Ramp-up Working Capital Facility will be raised directly by Ledjadja and the current proposal for the rail link facility is based on establishing a separate special purpose vehicle with Ledjadja holding a 49.9% interest.

* ZAR: AUD exchange rate on 12 February 2020 from Oanda.com

1.1.1 Debt Component

The debt facilities comprise of a Senior Debt Facility and Mezzanine Debt Facilities (**Debt Facilities**) along with a common terms agreement, a comprehensive security package and certain other security agreements covering release, counter indemnity and sub-ordination.

The Senior Debt Facility, subject to satisfaction or waiver of all conditions precedent, will be for an aggregate amount of approximately ZAR 2.34 billion, with that amount made up of the following senior loans from the members of the Lending Syndicate:

- Noble: ZAR 850 million;
- PIC: ZAR 950 million; and
- IDC: ZAR 540 million.

The Senior Debt Facility will be a secured debt, rank pari-passu between the parties, rank above the Mezzanine Debt Facilities (but behind the Ramp-up Working Capital Facility for the purposes of repayment) and is to be drawn down on a pro rata basis after all pre-conditions under the Senior Debt Facility have been met and only after all New Shareholder Loans and Mezzanine Debt Facilities has been fully drawn.

The Mezzanine Debt Facilities, subject to satisfaction or waiver of all conditions precedent, will be for an aggregate amount of approximately ZAR 1.63 billion, with that amount to be made up of the following loans from the members of the Lending Syndicate:

- Noble Mezzanine Loan: ZAR720 million;
- PIC Mezzanine Loan: ZAR550 million; and
- IDC Mezzanine Loan: ZAR360 million.

The Mezzanine Debt Facilities will all rank pari-passu between the parties and will be subordinated to the Senior Debt Facility.

The Noble Mezzanine Loan will be advanced first, and, once drawn down in full, the PIC and IDC Mezzanine Loans will be drawn on a pro-rata basis. The Mezzanine Debt Facilities may only be drawn after all pre-conditions under the Mezzanine Debt Facilities have been met and only after the New Shareholder Loans (see section 1.1.2) have been contributed, and, for the PIC and IDC, only after the entire Noble Mezzanine Loan has been utilised.

1.1.2 Equity Component

The Equity Component comprises an Equity Contribution Agreement along with amendments to Ledjadja's Shareholders' Agreement and Memorandum of Incorporation to reflect changes to the shareholding structure for the arrangements outlined below. The format of the equity sub-ordinated loan agreements has been agreed and forms part of the executed Equity Contribution Agreement.

Subject to satisfaction of all relevant conditions precedent, the PIC, IDC and Noble will acquire fresh equity in Ledjadja at a nominal value of ZAR 0.01 per share on the basis of committing to inject New Shareholder Loans specifically for purposes of funding the Project as follows:

- PIC Shareholder Loan: ZAR100 million;
- IDC Shareholder Loan: ZAR100 million; and
- Noble Shareholder Loan: ZAR30 million.

It is proposed that each of the above New Shareholder Loans will:

- remain subordinated to all other financial indebtedness of Ledjadja under the Debt Facilities;
- be interest free and unsecured; and
- be repaid in accordance with the proposed allocation of funds within the distribution account, as specifically set out in section 1.3 (b) of this Explanatory Statement.

If the arrangements contemplated by the Equity Contribution Agreement are completed, and there were no other changes to the current equity interests held in Ledjadja, then it is anticipated that the shareholder equity interests in Ledjadja would be as follows:

- Resgen Africa: 51% (previously 74%)
- Fairy Wing: 26%
- PIC: 10%
- IDC: 10%
- Noble: 3%

Fairy Wing retains it's 26% shareholding as, given that Ledjadja is a mining company, it's B-BBEE credentials are measured in terms of the Mining Charter (issued under the *Mineral and Petroleum Resources Development Act*, No. 28 of 2002) and not the generic B-BBEE Codes of Good Practice (**B-BBEE Codes**) issued under the *Broad-Based Black Economic Empowerment Act*, No. 53 of 2013, (the **B-BBEE Act**).

Neither the PIC nor the IDC's shareholding in Ledjadja will count towards B-BBEE ownership credentials due to the general principle that entities measuring their B-BBEE ownership credentials must apply the "Exclusion Principle" in terms of any shareholding held by organs of state or public entities. The B-BBEE ownership credentials of the entity must be measured without including the shareholding held by organs of state or public entities in the calculation. This arises because organs of State and Public entities are regarded as "Specialised Enterprises" which are not capable of being evaluated for Black ownership.

The Original Noble Loan advanced to Ledjadja of approximately US$20 million (excluding accumulated interest) in March 2014 under the facility agreement (at an interest rate of 10.75%) (**Facility Agreement**), will cease to accrue interest at Financial Close for Project funding and be converted from a term loan to a subordinated equity loan which will rank pari-passu with the New Shareholder Loans. Accumulated interest on the Original Noble Loan up to Financial Close of approximately US$17.5 million will be capitalised with this amount. The share pledge approved by Shareholders at the 2018 AGM as security for the Original

Noble Loan (including accumulated interest) (**Share Pledge**) will be released at Financial Close to allow for the grant of the security required to obtain the Debt Facilities.

All subsequent advances by Noble under the deeds of variation to the Facility Agreement totalling up to US26.9m, along with accrued interest totalling approximately US$5.7 million, will be repaid under the first drawdown under the completed Mine Funding Package by virtue of being deemed to be advances made by Noble to the Company with respect to Noble's obligations to advance the Noble Shareholder Loan and Noble Mezzanine Loan.

The Equity Contribution Agreement includes a suspensive condition relating to the conversion of the existing redeemable preference shares in Ledjadja (face value of ZAR 275m) which are held by Resgen Africa, into a shareholder loan at or prior to Financial Close. The converted shareholder loan will be rolled into the existing shareholder loan previously provided by Resgen Africa to LCL totalling ZAR 537.6m at 30 June 2019 (**Resgen Africa Shareholder Loan**). The Resgen Africa Shareholder Loan will rank behind the New Shareholder Loans and the Original Noble Loan and will be subordinated to all financial indebtedness of Ledjadja. This conversion results in Resgen Africa forgoing the right to any cumulative preference dividends from Ledjadja that have accrued or that will arise in the future.

Contributions under the Equity Contribution Agreement will be made by Noble firstly, and provided that the Noble Mezzanine Loan has been fully disbursed, be followed by the PIC (Government Employees Pension Fund equity contribution) and IDC equity contributions.

Details of the terms and conditions attaching to the proposed facilities (Debt and Equity Components) are set out in Schedule 1, which includes a summary of the conditions precedent, one of which requires the obtaining of Shareholder approval for Ledjadja and the Company to enter into the Mine Funding Package, which is the intent of the Resolution.

1.2 Reasons for entering into the Mine Funding Package

The Company, through its controlled entity, Ledjadja, holds a mining right identified as Mining Right 169MR (the **Mining Right**). The Mining Right is situated in the Limpopo Province's Waterberg Coalfield in South Africa where approximately 40% of South Africa's remaining known coal resources are located.

Since securing the Mining Right, the Company, through its fully black economic empowered (**BEE**) subsidiary, Ledjadja, has been focused on securing funding for a planned 6Mt p.a. coal mine to supply local and global customers.

Project development cost estimates determined during feasibility studies and captured as part of a base case financial model developed to assess the Project's economics (and to engage with potential funding parties) are as follows:

	ZAR (million)	AUD (est) (million)
- mine development	4,200	420
- constructing a 44km rail link	750	75
- ramp-up capital requirements	550	55

Extensive funding discussions have been held over the past 10 years with a large number of potential funding parties in a climate of increasing opposition to the development of new thermal coal mines and concerns regarding the sovereign risks associated with changes to the Mining Charter in South Africa. With the global move towards renewable energy and green friendly power generation, global commercial banks and debt funding providers, including the local South African commercial banks, are becoming ever more sensitive to being associated with coal mine development projects, with the majority actually no longer prepared to fund such projects.

The PIC and Noble have continued to support the Company through this period and have offered terms for the mine development component along with the IDC (collectively referred to as the **Lenders**). The terms and conditions being offered by the Lenders have been assessed as reasonable in the circumstances and, subject to the conditions precedent of securing funding for the remaining two components (rail link and Ramp-up Working Capital Facility), will enable the overall development of the Project. Importantly, the terms offered do not require any further equity injections from Shareholders.

1.3 Key Advantages and Disadvantages of the proposed Mine Funding Package

(a) Advantages

Construction and operation of the Boikarabelo Coal Mine can proceed

The Mine Funding Package, along with the funding being sought to construct a 44 km rail link to the Transnet main line and ramp-up working capital, will enable Ledjadja to develop and operate the Project and realise value for Shareholders through the generation of operating cashflows (subject to the cashflow waterfall mechanism embedded in the facilities which requires all debt arising under the Mine Funding Package together with the Original Noble Loan to be repaid first, as discussed in section 1.3(b) below).

Shareholders not involved in the proposed Mine Funding Package will not be required to provide any additional equity.

Lenders to a standalone operation often require a mix of debt and equity as part of a project funding package. The Company has been able to negotiate terms which do not require any additional equity injections from existing Shareholders or the Company in order to share the development funding risk between the parties.

Altius Investment Holdings (Pty) Ltd (Altius) has agreed to cancel its rights under a success fee arrangement

Altius, a substantial Shareholder through a controlling interest in Shinto Torri Inc which holds a 10.69% interest in the Company, has agreed to cancel its right to a commission payable on successful completion of the Mine Funding Package for the construction of the Boikarabelo Coal Mine.

Noble will agree to the original US$20m loan plus accumulated interest to Financial Close to become interest free at that time and for the current Share Pledge security to be released in favour of the Lenders

The Mine Funding Package requires Noble to forgo interest accumulation on the Original Noble Loan of US$20m after Financial Close and the terms of the Original Noble Loan will be amended to rank pari-passu with the New Shareholder Loans.

The Share Pledge currently held by Noble (approved by Shareholders at the 2018 AGM) as security under the facility agreement will be released in favour of the Lenders and the Original Noble Loan and accumulated interest to Financial Close will be sub-ordinated to the Debt Component of the Mine Funding Package.

Commitment by important stakeholders in the South African public sector

In the development of the Project, the Company has engaged in developing a public-private partnership with important stakeholders in the South African public sector, including PIC, IDC and Transnet.

The provision of finance by PIC and IDC under the Mine Funding Package is consistent with the policy direction set out by the South African Government in its National Development Plan (which includes job creation, skills development and the rejuvenation of a currently impoverished part of the country) and the equity interest in LCL to be held by those parties would help demonstrate the commitment of important stakeholders in the South African public sector to the success of the Project.

The Project will effectively open the remainder of the Waterberg coal field which is the next viable coal field in South Africa and, from a SADC perspective, the rail link will create a logistics path for the Botswana coal fields to the exit points at either Maputo and/or Richards Bay. Development of the Project will therefore also provide positive benefit to the prospect in the future development of the Company's Waterberg One asset.

(b) Disadvantages

Dilution of Shareholders' interests

If the Resolution is approved and the Lenders acquire a 23% interest in Ledjadja through subscribing to fresh equity for a nominal consideration, Shareholders will hold a diluted interest in the Company's assets and future cashflows from operations. Section 1.1.2 sets out details of the dilution of the Company's interest in Ledjadja that is likely to occur if the Resolution is approved.

Section 14.5 of the Independent Expert's Report also refers to dilution that might occur as a result of the Lenders securing an option to exchange their shares in LCL for Shares in the Company if the primary listing of the Company's shares was to be transferred to the Johannesburg Stock Exchange within 4 years after Financial Close (as part of the amendments to the Shareholders' Agreement of LCL summarised in Schedule 1). However, it is important to note that the details of such arrangements are yet to proposed and agreed by the parties and, in any case, would be conditional on obtaining all necessary regulatory and shareholder approvals.

Security over all assets

The Mine Funding Package will result in the granting of a security interest over all of the assets of the Group in favour of the Lenders. This is likely to affect the Group's ability to secure further funding where such additional funding is contingent on the granting of security in favour of the financier. This may adversely affect the Company's ability to obtain additional funding in the future, and particularly if this funding was proposed to occur other than by way of an issue of equity in the Company. Furthermore, a breach or event of default under the Debt Facilities would enable the Lenders to exercise their rights under the security package which may require the Group to cede some of or all of the assets the subject of the security to the Lenders . The Independent Expert has considered the security component of the Mine Funding Package and concluded that, in the absence of an alternate offer, it is fair and reasonable to Shareholders not associated with PIC, IDC and Noble as set out in section 13 of the Independent Expert's Report.

Separate funding of the rail link and Ramp-up Working Capital required

As agreed with the Lenders, the principal sum negotiated under the Mine Funding Package is for funding the construction of the Project only. Separate funding is required for the Project rail link and working capital requirements. Consequently, separate negotiations and terms will need to be reached with an alternative funder for the construction of a 44km rail link to join the Transnet main line in order to enable the haulage of product to the end user and/or a port and for the Ramp-up Working Capital Facility required to fund the Project's working capital requirements during the Project's ramp up phase.

The conditions precedent to being able to draw down funds under the Mine Funding Package require finalisation of funding terms to the satisfaction of the Lenders for the construction of the rail link and to cover working capital requirements.

The structure of the cashflow waterfall that applies to the use of net operating revenues and the overall cost of the Mine Funding Package will delay the ability of the Board to pay returns to Shareholders

The cashflow waterfall requires all excess cash post settlement of operating expenses, scheduled debt repayments, any reserve account top-up payments and minimum cash on hand requirements, be allocated as follows:

- Whilst there are amounts outstanding under the Senior Debt Facility:
    - 40% to be swept against the Senior Debt Facility as a pre-payment;
    - 40% to be swept against the Mezzanine Debt Facilities as pro-rata pre-payments; and
    - 20% to be transferred to the distribution account; or

- Once the Senior Debt Facility has been settled in full:
    - 60% to be swept against the Mezzanine Debt Facilities as pro-rata pre-payments; and
    - 40% to be transferred to the distribution account.

Furthermore, all cash available for distribution in the distribution account, subject to compliance with the cash lock up financial covenants, is to be applied as follows:

- 10% shall be paid to the IDC;
- 10% shall be paid to the PIC;
- 50% shall be payable to Noble;
- 19.87% shall be payable to Resgen Africa; and
- 10.13% shall be payable to Fairy Wing.

The above distribution structure shall remain in place until the Original Noble Loan has been settled in full (approximately 6 months after the IDC and PIC New Shareholder Loans have been fully settled), after which all distributions shall take the form of dividends to Shareholders in proportion to their shareholding in Ledjadja.

High debt exposure and sensitivity of the Project to macro-economic assumptions

The Mine Funding Package will increase LCL's debt levels substantially, resulting in negative equity and a higher than normal debt exposure. The high debt levels may increase the risk of default under the financial covenants contained in the Debt Facilities, specifically if the Company's base case economic and operational assumptions are not met. The debt package has been sized to meet the project funding requirements. The sizing reflects the inability of the Company to obtain a significant equity injection many times the current market capitalisation of the Company.

In section 12.1.1.1 of the Independent Expert's Report, the sensitivity of the Project to future macroeconomic assumptions, particularly the future USD:ZAR exchange rate and the export coal price, is analysed and summarised on pages 48 and 49. The Independent Expert concludes in Section 13 that under the specific set of assumptions adopted in their base case valuation, funding shortfalls are forecast during construction and operation with the non-compliance of one of the agreed financial covenants under the Mine Funding Package. Furthermore, in the analysis the Independent Expert notes that movements in the future macro-economic variables may have a compounding or offsetting effect and are unlikely to move in isolation.

Whilst the macro-economic assumptions adopted in the Company's base case financial model have been developed with the assistance of its corporate advisor and agreed with the Lenders, the Project, like other major resource developments, remains dependent upon exchange rate and global pricing factors outside the control of the company. As such, there is a risk of these macro-economic factors resulting in the Company requiring additional funding or the need to seek a waiver of one or more financial covenants under the Mine Funding Package. Where this funding is not forthcoming or the waiver is not granted the Lenders have rights to the underlying assets of the Company and a number of its subsidiaries through the security arrangements. Accordingly, there is no guarantee that the Project will realise the expected cash flows or be completed as it will depend on certain factors beyond the Company's control.

Mitigation of the risk exposures to macro-economic factors will be a consideration under the Hedging Programme to be agreed with the Lenders covering exchange rate, commodity and interest rate risk. As noted in Schedule 1, Noble has the first right of refusal to manage this Programme, subject to competitive market rates.

Heightened Project Execution Risk

In de-risking the Project during construction and at the same time managing the debt funding requirements, where possible, fixed price contracts have been or are being agreed. Nevertheless, there are aspects of the capital construction cost that could be subject to variation or escalation claims.

In section 12.1.1.1 of the Independent Expert's Report, the Independent Expert's has sought to address this risk by including a 5% contingency for the civil and infrastructure component (ZAR55m) in their valuation after considering the Independent Technical Expert's Report prepared by SRK Consulting (Australasia) Pty Ltd. This results in their base case forecasting a capital funding shortfall during construction of a similar amount. This analysis highlights the importance of ensuring the project execution risk is managed appropriately through the selection of appropriately skilled and experienced personnel.

The adequacy of the capital construction cost estimate is one of the aspects under consideration in the Independent Technical Advisor's review currently being performed on behalf of the Lenders (see the conditions precedent in Schedule 1).

1.4 Potential Position of Shareholders if Resolution is Not Approved

(a) Construction of the Project will be delayed

If Shareholders do not approve the Resolution, the arrangements that have been negotiated with the Lenders will not be able to proceed and there will be further delays to the construction of the Boikarabelo Coal Mine with no certainty that the Project will actually be developed.

Over the last 10 years, the Company has approached a substantial number of potential parties for the funding of the Project but has been unable to attract competing proposals. If the Resolution is not approved, the Company will need to secure additional working capital funding and recommence the search for a party or parties prepared to provide funding to construct the Boikarabelo Mine. As noted in section 1.2 above, the global market for funding greenfield thermal coal projects has deteriorated substantially in recent years. Even if other interested parties are identified, the terms and conditions of funding may or may not be more favourable than those currently offered by the Lenders. As a result, there remains substantial uncertainty about the likelihood of the Company obtaining alternative funding for the project.

(b) The Company may breach the terms of the Facility Agreement with Noble

The Company, and Ledjadja, entered into a Facility Agreement with Noble on 3 March 2014 as amended from time to time which requires the repayment of the initial US$20m borrowing (and accumulated interest) to commence from the earlier of 31 March 2020* and Financial Close and the amounts subsequently drawn down under the Facility Agreement to be repaid from the first drawdown of funding for construction of the Project.

The terms of the Mine Funding Package contemplate the deferral and subordination of this loan as part of the New Shareholders Loans under the Equity Component. The Group does not currently have the capacity to repay this loan on 31 March 2020*. Consequently, in the absence of the deferral and subordination of the loan contemplated under the Equity Component, the Group will need to negotiate an extension of the commencement of repayment, seek alternative funds to enable repayment or risk breaching the Facility Agreement.

*- the Company is currently negotiating and extension of this date to 30 April 2020 (or such other mutually agreed date) due to a revision to the target date for Financial Close

A breach of the Facility Agreement will enable Noble to exercise its rights under the security granted over the Facility Agreement being a share pledge over the Company's interest in 74% of the shares in Ledjadja, which are currently held by Resgen Africa.

(c) The Company will be required to seek additional working capital

The Group has been relying on Noble to provide working capital whilst negotiating the Mine Funding Package. At 31 December 2019 the amount advanced under the Facility Agreement in addition to the Original Noble Loan to cover working capital requirements totals US$25.4m. The remaining US$1.5m under the Facility Agreement will be drawn down over the period to 31 March 2020. The Company is currently in negotiations with Noble for an extension of further funds to enable achievement of the revised target for Financial Close now being 30 April 2020.

The terms of the Facility Agreement require repayment of this additional amount out of the first drawdown of funding for construction of the Mine.

If the Resolution is not approved, the Group will need to satisfy Noble that securing alternative Project funding is still possible and negotiate the advance of additional amounts to cover working capital in order to allow such negotiations to proceed.

Should the Group be unable to convince Noble that securing alternative Project funding is possible and negotiate additional working capital funding there is a risk that the Company will be unable to continue as a going concern.

(d) The Company will continue to own a 74% interest in Ledjadja

The Mine Funding Package offered by the Lenders involves equity-based funding at the Project level through the advance of shareholder loans. The terms of the Equity Component involve a 23% dilution of the Company's interest in Ledjadja for a nominal consideration. This transfer of interest (disposal) at the Project level dilutes Shareholders' interest in the future cashflows from operations of the Project.

The Company will retain its 74% interest in Ledjadja if Shareholders do not approve the Resolution.

1.5 Requirement for Shareholder approval

ASX Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not (among other things) dispose of or agree to dispose of a 'substantial asset' to:

- a related party;
- a child entity;
- a person who is, or was at any time in the 6 months before the transaction, a 'substantial (10%+) holder' in the company;
- an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- a person whose relationship with the company or a person referred to above is such that, in ASX's opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

A 'substantial (10%+) holder' is a person who, together with that person's associates, has a relevant interest in at least 10% of the total votes attached to the company's shares. Given the size of their respective shareholdings in the Company (namely, 14.16% and 13.69%, respectively), PIC and Noble are each a 'substantial (10%+) 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, or the value of the consideration offered for the asset, is equal to the value of 5% or more of the equity interests of the company as set out in the latest accounts given to the ASX by the company under the Listing Rules. As the Company's equity interest in its principal asset being Ledjadja will be diluted from 74% to 51% and all of the Company's assets (as well as assets of a number of its subsidiaries) will be provided as security for the borrowings, the Company considers that assets being disposed of, whether by way of security or otherwise, have a value exceeding 5% of the equity interests in the Company and so ASX Listing Rule 10.1 applies.

ASX Listing Rule 10.5 - Requirements of the Notice of Meeting under Listing Rule 10.1

10.5.1	**Names of the persons to whom the assets are being disposed**	PIC, Noble and IDC.
10.5.2	**Specific section of Listing Rule 10.1 that is applicable**	Listing Rule 10.1.3 – due to each of PIC and Noble being a substantial (10%+) holder in the Company.

10.5.3	**Details of the assets being disposed**	A 23% interest in Ledjadja which owns the Boikarabelo Coal Mine, the provision of security over the assets of the Company and a number of its subsidiaries and a guarantee of the performance of Ledjajda by the Company in accordance with the terms of the proposed Mine Funding Package as detailed in this Explanatory Statement.
10.5.4	**Consideration for the disposal**	See details of the proposed Mine Funding Package in Schedule 1.
10.5.5	**Source of funds for acquisition**	N/A
10.5.6	**Use of funds received from disposal**	The funds will be used for the construction of the Boikarabelo Coal Mine and related purposes.
10.5.7	**Timetable for completing the disposal**	See detail set out below
10.5.8	**Summary of the material terms involved in the disposal**	See details of the proposed Mine Funding Package in Schedule 1.
10.5.9	**Voting Exclusion Statement**	A voting exclusion statement has been included along with the Resolution.
10.5.10	**Independent Expert's Report**	A report on the proposed transaction from an independent expert is included in Schedule 2 – see details below.

Timetable for completing the disposal (Financial Close) and commencement of development of the Boikarabelo Coal Mine

At the date of this Notice the Company is targeting Financial Close on or before 30 April 2020 which will allow it to issue the Notice to Proceed to the EPC Contractor during the month of April 2020.

While at the date of this Notice the Company considers that it has reasonable grounds to believe that this timetable is achievable, the Mine Funding Package contains a number of conditions precedent, including those outlined in Schedule 1, which are outside the Company's control. If all of those conditions precedent are not satisfied or waived by 31 March 2020 (or such later date agreed with the Lenders), then it is possible that Financial Close will be delayed or may not proceed.

Independent Expert's Report

ASX Listing Rule 10.5.10 requires a notice of meeting for a listed entity containing a resolution seeking a shareholder approval under ASX Listing Rule 10.1 to include a report on the 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 finalising the Mine Funding Package would be fair and reasonable to Shareholders not associated with the PIC, IDC and 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 either PIC, IDC and/or Noble to assess the merits and decide whether to vote for or against the Resolution.

1.6 Conclusion of the Independent Expert

The Independent Expert's Report concludes that the proposed transaction is fair and reasonable to Shareholders not associated with the PIC, IDC and Noble.

In summary, the Independent Expert concluded as set out in section 2.3 of their Report:

'We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Proposed Transaction is FAIR and REASONABLE to Shareholders.[1]'

The reasons (and the relevant assumptions and qualifications) for the Independent Expert's conclusion are further detailed in sections 13 and 14 of their Report. The Independent Expert also states that: '*If the cash flow availability limitations are not able to be resolved then our opinion would be that the Proposed Transaction is not fair but reasonable*'. These cash flow availability limitations were discussed in section 1.3(b) above.

A complete copy of the Independent Expert's Report is included in Schedule 2 to this Notice of Meeting and is also available on the Company's website at http://www.resgen.com.au/investors-and-media/announcements/2020.

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 given, and has not withdrawn, as at the date of this Notice, its written consent to be named as Independent Expert and to the inclusion of the Independent Expert's Report, in the form and context used in this Notice of Meeting and Explanatory Statement. BDO Corporate Finance (WA) Pty Ltd:

- has not authorised or caused the issue of this Notice of Meeting or Explanatory Statement;
- takes no responsibility for any statements in or omissions from any part of this Notice of Meeting or Explanatory Statement, except in respect of the Independent Expert's Report; and
- makes no representation regarding, and to the extent permitted by law, excludes any responsibility for, any statements in or omissions from any part of this Notice of Meeting or Explanatory Statement.

1.7 Shareholder Approval

The Resolution seeks Shareholder approval under Listing Rules 10.1 to the proposed Mine Funding Package on the key terms and conditions set out in Schedule 1, including the grant of security and a 23% dilution of the Company's interest in Ledjadja.

If the Resolution is passed, the consequences outlined in section 1.3 above will follow.

If the Resolution is not passed, the potential position of Shareholders is outlined in section 1.4 above.

[1] The Independent Expert's Report defines 'Shareholders' as shareholders of the Company not associated with the Lending Syndicate.

1.8 Board Recommendation

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

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

2. GLOSSARY

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

EGM or **Extraordinary General Meeting** means the extraordinary general meeting of the Company to be held on 7 April 2020;

ASX means the ASX Limited;

ASX Listing Rules means the Listing Rules of ASX;

Board means the board of Directors;

COB means close of business in the particular time zone for either the ASX or JSE

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);

Debt Component means the Debt Facilities detailed in section 1.1.1;

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

Equity Component means the New Shareholder Loans and equity subscription set out in section 1.1.2;

Equity Contribution Agreement means an equity participation agreement under which PIC, IDC and Noble will subscribe for an aggregate of 23% of the share capital of LCL, in exchange for each of the parties advancing the New Shareholder Loans to LCL;

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

Financial Close means that all conditions precedent have been met or waived so that Ledjadja is able to issue the first drawdown notice under the terms of the proposed Mine Funding Package;

Fairy Wing means Fairy Wing Trading 136 (Pty) Limited;

Group means the Company and all of its controlled entities;

IDC means the Industrial Development Corporation of South Africa Limited;

Independent Expert means BDO Corporate Finance (WA) Pty Ltd;

Independent Expert's Report means the report prepared by BDO Corporate Finance (WA) Pty Ltd in relation to the Resolution and included in Schedule 2 of this Explanatory Statement;

Independent Technical Expert's Report means the report prepared by SRK Consulting (Australasia) Pty Ltd and included as Appendix 4 to the Independent Expert's Report;

JSE means the Johannesburg Stock Exchange;

Ledjadja or LCL means Ledjadja Coal (Pty) Ltd, a controlled entity of the Company;

Lenders or Lending Syndicate means the providers of the Mine Funding Package being the PIC, IDC and Noble;

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

Mezzanine Debt Facilities means mezzanine debt facilities totalling ZAR1.63 billion from Noble, PIC and IDC to be used towards funding the development of the Project;

Mine Funding Package means the Debt and Equity Components entered into by Ledjadja as the borrower and the Company as guarantor with the PIC, IDC and Noble for the purposes of developing the Boikarabelo Coal Mine;

New Shareholder Loans means the new shareholder loans arising under the Equity Contribution Agreement;

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 Statement;

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

Original Noble Loan means the Noble Rail Link Facility of USD 20 million executed between LCL and Noble on 3 March 2014, which was extended on seven occasions from 14 March 2017 to provide up to an additional USD 26.9 million of funds;

PIC means the Government Employees Pension Fund and the Unemployment Insurance Fund, (both managed by the Public Investment Corporation SOC Limited);

Project means the Boikarabelo Coal Mine;

Project Completion Date means the date of completion of development of the Boikarabelo Mine;

Ramp-up Working Capital Facility means the ramp-up working capital of ZAR 550 million;

Resgen Africa means Resgen Africa Holdings Limited a company incorporated in Mauritius and wholly owned by the Company;

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

Senior Debt Facility means senior term loan facilities totalling ZAR2.34 billion from Noble, PIC and IDC to be used towards funding of the Project;

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

Shareholders means the holders of Shares in the Company; and

ZAR means South African Rand.

SCHEDULE 1 – MATERIAL TERMS OF THE PROPOSED MINE FUNDING PACKAGE

Material terms included in the Debt and Equity Component include:

- The Senior Debt Facility will have a tenor of 7 years and the Mezzanine Debt Facility will have a tenor of 12 years (with a sunset date for drawdown of 31 March 2023 unless agreed otherwise with the Lenders);
- Interest based on the Johannesburg Interbank Average Rate (3M JIBAR) plus a Senior Debt risk margin of 600 basis points during Project construction and 500 basis points thereafter and a Mezzanine Debt risk margin of 1200 basis points during Project construction and 900 basis points thereafter;
- Interest will be capitalised until the Project Completion Date and will be paid in cash on a quarterly basis thereafter (subject to there being sufficient cash available otherwise the amounts will be capitalised);
- Commercially comparable origination, administration, facility agent and cancellation fees;
- Cashflow waterfall governing use of funds generated from operations;
- Requirement to agree to a Hedging Programme with the Lending Syndicate covering exchange rate, commodity and interest rate risk with Noble having the first right of refusal to manage subject to competitive market rates;
- Quarterly compliance reporting with standard financing covenants relating to debt service cover ratio, reserve tail ratio, cash interest cover ratio and minimum level of shareholder funds level;
- Security to be granted by the Company and a number of its subsidiaries in support of the Debt Facilities, to include (among other things) cession of claims against third parties and cession and pledge of shares and shareholder loans held by the Company in and to Ledjadja and its other subsidiaries;
- Ledjadja will also provide security over all of its assets, material contracts and property relating to the Project;
- Principal amounts advanced under the Debt Facilities must be repaid pursuant to a 'cash sweep mechanism' to be established once operations commence and the Senior Debt Facility is subject to quarterly amortisation (with interest capitalised until Project Completion and payable quarterly thereafter);
- Cancellation fee to be applied if the proposed Debt Facilities are cancelled after the Company secures Shareholder approval;
- The PIC and IDC to have board appointment rights for Ledjadja in accordance with an amended Ledjadja's Shareholder Agreement (refer to further detail below), however the appointment rights remain proportional to the shareholdings in Ledjadja i.e. the Company will retain control. Noble's existing board appointment right under the facility agreement is also captured in the Shareholder Agreement;
- Noble to retain its right to nominate a board appointment at the Company level and have approval rights in respect of a board appointment at the Ledjadja level as contemplated by the current Facility Agreement, which will be extinguished at Financial Close; and
- Participation of the PIC and IDC in the domestic coal offtake rights, with a fee to be payable to the parties if this participation is not utilised.

Material Conditions Precedent:

A number of conditions require satisfaction, deferral or may be waived by the Lenders, subject to their respective credit committee approval processes before the transaction completes and becomes effective on Financial Close. These conditions include those customary for Lender's to request to manage risk exposures in transactions of this nature including:

- All material Project documents having been entered into and becoming unconditional;
- Shareholder approval for the arrangements set out in the proposed Mine Funding Package;
- Conclusion of a back to back domestic coal supply agreement between Noble and a third party to the satisfaction of the other Lenders;
- Conclusion of an unconditional comprehensive Project Rail Link funding agreement and related infrastructure agreements related to the Project Rail Link with all suspensive conditions thereto fulfilled or waived by the Lending Syndicate;
- Conclusion of a Ramp-up Working Capital Facility to the satisfaction of the Lenders; and
- Lender acceptance of an Independent Technical Advisor's reports relating to the technical aspects of the Project including adequacy of the capital cost estimate for construction.

If Financial Close is not achieved by close of business on 31 March 2020 (or such later date agreed with the Lenders) all commitments under the Debt Facilities will be automatically cancelled and reduced to zero.

Key amendments to the agreed form Memorandum of Incorporation (MOI) and Shareholders' Agreement (SHA) of LCL

The amendments to the MOI and SHA of LCL, effected as part of the Mine Funding Package, were the product of negotiations between each of:

- LCL,
- the existing shareholders, namely Resgen Africa and Fairy Wing; and
- the incoming shareholders, namely the PIC, the IDC and Noble (collectively, **New Shareholders**).

The amendments were necessitated primarily by the entry of the New Shareholders in their capacity as shareholders, as well as in their capacity as Lenders pursuant to the Mine Funding Package in respect thereof (where these have an impact on the constitutional arrangements of LCL).

Primary amendments to the MOI

- The nature of the company was changed from an ordinary private South African company, to a ring-fenced private company restricted to the conduct of its business, being the design, construction, operation and maintenance of the Boikarabelo coal mine, coal handling, preparation plant, related infrastructure and ancillary matters.
- Board appointments: each shareholder is entitled to nominate one person for election as a director for each completed 10% of ordinary shares which it holds in LCL, provided that:
    - Resgen Africa shall, for as long as it holds at least 51% of the ordinary shares, be entitled to nominate an amount of persons for election as director as is required to ensure that Resgen Africa will retain control of LCL for accounting consolidation purposes;

    - Fairy Wing is entitled to nominate 2 persons for election as director for as long as it holds 15% of the ordinary shares in LCL, and
    - the New Shareholders shall each be entitled to nominate 1 person for election as director.
- Certain provisions of the MOI may not be amended without the unilateral consent of all of the shareholders. Included in these protected provisions are the provisions governing the authorised share capital of LCL, authority to issue shares, pre-emption on issue of shares, transfer of securities, and election and remuneration of directors.
- Reserved Matter Approval has two different thresholds, determined as follows:
    - for as long as any amount of the Project funding remains outstanding, unanimous written approval of all the shareholders is required; and
    - at any time subsequent to the repayment of the Project funding, written approval is required by shareholders holding 91% of the ordinary shares.
- The board may only allot or issue new shares with Reserved Matter Approval.
- Minority protections have been added, in terms of which certain actions may not be undertaken without Reserved Matter Approval. Some of these protection provisions are as follows:
    - changes to the authorisation and classification of shares,
    - approval of LCL's annual budget and/or business plan and any deviation in excess of 10% from such approved annual budget and/or business plan,
    - any amendment to the distribution policy of LCL, and
    - the conclusion or material variation of any contract with a party that is related or inter-related to any shareholder.

Primary amendments to the SHA

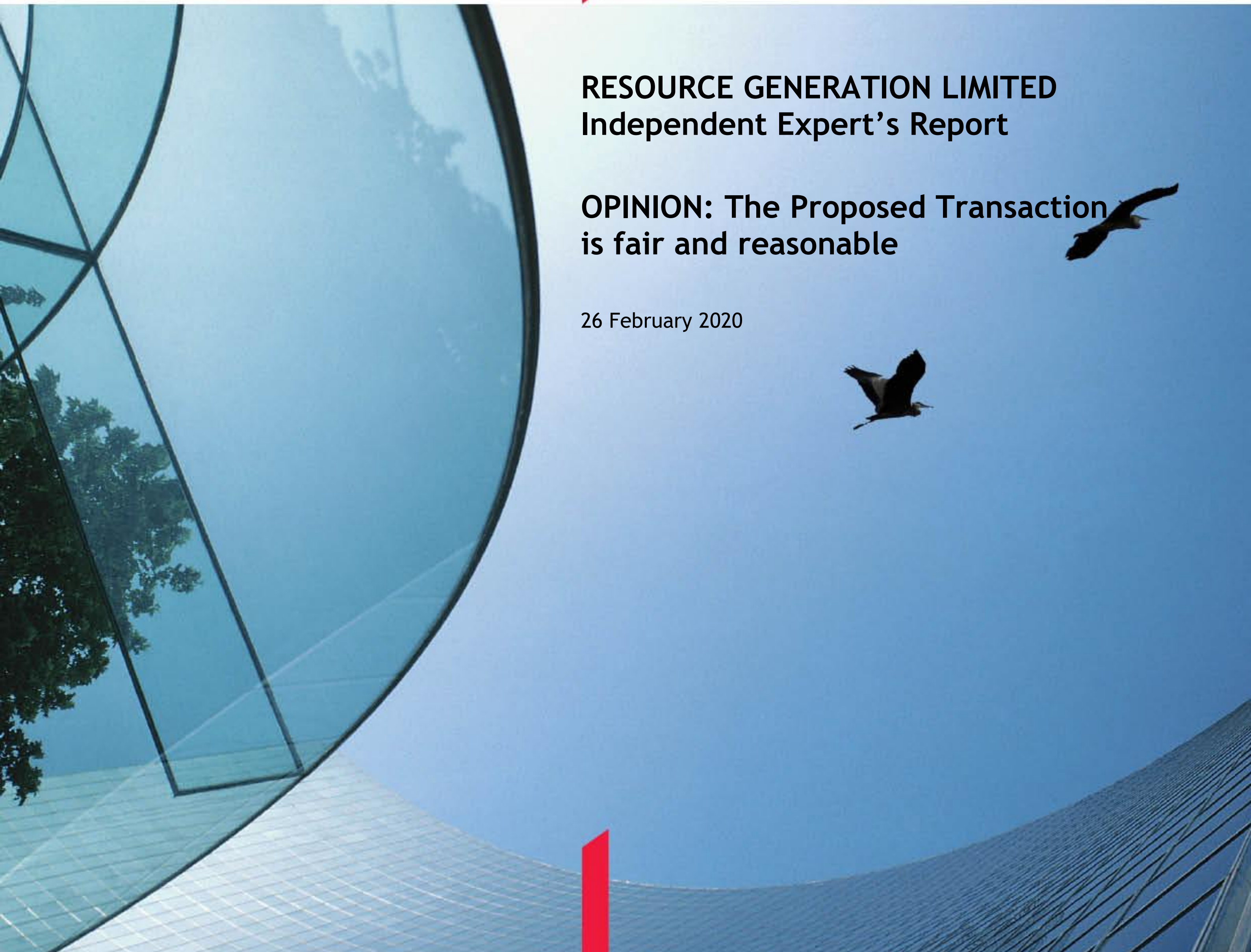
- On Financial Close, the New Shareholders will hold the shares in the ratios set out in the SHA, being 10% to each of PIC and IDC, 3% to Noble (with 26% to Fairy Wing and 51% to Resgen Africa).
- The SHA specifically governs the amounts in the form of New Shareholder Loans to be made available to LCL, from the New Shareholders, for purposes of funding the Project.
- Resgen Africa undertakes to procure on a best endeavours basis (subject to all regulatory requirements which are expected to include Shareholder approval) that the Company move its primary listing from the Australian Securities Exchange Limited to the Johannesburg Stock Exchange (**JSE**) within 4 years of Financial Close, or such other arrangement to the satisfaction of the Lenders.
- The SHA records that the New Shareholders wish to secure an option to exchange their shares in LCL for Shares in the Company subsequent to any primary listing of the Company's shares occurring on the JSE. Resgen Africa is obliged to submit a proposal to the New Shareholders in this regard, when requested to do so prior to Financial Close.
- Shareholders have increased rights of access to information, in such form as the board may determine, to keep each shareholder properly informed about the business and affairs of the company, and to protect its interests as a shareholder.
- The redeemable preference shares held by Resgen Africa will be redeemed (and cancelled), or converted into a shareholder loan and subordinated in accordance with the Equity Contribution Agreement, or otherwise dealt with to the satisfaction of all of the New Shareholders.

SCHEDULE 2 – INDEPENDENT EXPERT'S REPORT

RESOURCE GENERATION LIMITED
Independent Expert's Report

OPINION: The Proposed Transaction is fair and reasonable

26 February 2020



Financial Services Guide

26 February 2020

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**') to provide an independent expert's report on the proposal to dilute its shareholding in its subsidiary, Ledjadja Coal Pty Ltd ('**LCL**'), from 74% to 51%, in exchange for Debt Financing for the Boikarabelo Project. You are being provided with a copy of our report because you are a shareholder of Resgen and this Financial Services Guide ('**FSG**') is included in the event you are also classified under the Corporations Act 2001 ('**the Act**') as a retail client.

Our report and this FSG accompanies the Explanatory Memorandum and Notice of Meeting required to be provided to you by Resgen to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide
This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

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 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
We are 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 professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

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 and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

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, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain 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. If you have any questions, or don't fully understand our report you should seek professional financial advice.

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 $90,000 (excluding GST and out-of-pocket expenses).

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 and our directors do not hold any shares in Resgen.

Other Assignments
In 2018, BDO was engaged to provide an independent expert's report in relation to the share pledge agreement that Resgen entered into with Noble Resources International Pte Ltd, a substantial holder in the Company. BDO was paid approximately $24,000 for this engagement. In 2017, BDO also received approximately $41,600 for the partial preparation of an Independent Expert's Report for a transaction that did not reach completion.

In November 2018, BDO Audit Pty Ltd was appointed as Auditor of Resgen. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

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 Australian Financial Complaints Authority ('**AFCA**').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('**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 AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

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

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PO Box 700 West Perth WA 6872
Australia

26 February 2020

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

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 5 December 2019, Resource Generation Limited ('**Resgen**' or '**the Company**') announced that, through its subsidiary Ledjadja Coal Pty Ltd ('**LCL**'), it had entered into binding agreements for the funding of the construction of the Boikarabelo Project ('**Project Funding Agreements**') with the following parties:

- Government Employees Pension Fund ('**GEPF**') represented by the Public Investment Corporation SOC Limited ('**PIC**');
- Unemployment Insurance Fund ('**UIF**') represented by PIC;
- Industrial Development Corporation of South Africa Limited ('**IDC**'); and
- Noble Resources International Pte Ltd ('**Noble**'), (collectively, '**Lending Syndicate**').

GEPF and UIF are both funds that are represented by PIC and, in order to ensure consistency with the Company's announcement relating to the Proposed Transaction, hereafter will be referred to collectively as PIC. The Lending Syndicate will provide senior and mezzanine debt financing ('**Debt Financing**') amounting to ZAR3.97 billion South African Rand (**'R' or 'ZAR'**) to Resgen's 74% subsidiary, LCL, for the development of the Boikarabelo coal project in South Africa ('**Boikarabelo Project**' or '**the Project**'). The Boikarabelo Project is located in the Waterberg region of South Africa and will be developed to produce a mix of domestic thermal coal and export thermal coal product.

The quantum of senior and mezzanine financing, is to be provided by each of the members of the Lending Syndicate in the following amounts:

- PIC (incorporating GEPF and UIF) – ZAR950 million in senior debt facility and ZAR550 million in mezzanine facility;
- IDC – ZAR540 million in senior debt facility and ZAR360 million in mezzanine facility; and
- Noble – ZAR850 million in senior debt facility and ZAR720 million in mezzanine facility.

In addition to the senior and mezzanine debt financing, the Lending Syndicate will also acquire equity in LCL at a nominal value of ZAR0.01 per share on the basis that they will provide shareholders' loans ('**New Shareholders Loans**') totalling ZAR230 million, in the following amounts:

- GEPF (via PIC) – ZAR100 million;

- IDC – ZAR100 million; and
- Noble – ZAR30 million.

The existing shareholders in LCL will subscribe for additional shares to bring the shareholdings following the Proposed Transaction to the following proportions (assuming no other changes to the current equity interests in LCL):

- Resgen – 51%;
- Fairy Wing Trading Pty Ltd – 26%;
- PIC (representing GEPF) – 10%;
- IDC – 10%; and
- Noble – 3%.

The issue of 23% of the share capital of LCL to the Lending Syndicate is subject to shareholders' approval under Australian Securities Exchange ('**ASX**') Listing Rule 10.1 as it involves the disposal of a substantial asset by Resgen to substantial holders who hold more than 10% of the Company's voting shares; being, PIC (which holds 14.16% of the issued shares in Resgen) and Noble (which holds 13.69% of the issued shares in Resgen). As at the date of this report, we are not aware of IDC having any shareholding in Resgen.

Noble has, to date, advanced US$45.4 million in debt funding to the Company and under the current agreement, can advance up to a further US$1.5 million. The original Noble loan advanced to LCL of approximately US$20 million in March 2014 ('**Noble Facility**') under the Facility Agreement, will cease to accrue interest at financial close for project funding, being the date the Proposed Transaction completes and becomes effective ('**Financial Close**') and, together with the accumulated interest up to Financial Close, of approximately US$17.5 million, will be converted to a subordinated equity loan, which will rank pari passu with the New Shareholders Loans. All subsequent advances by Noble under the deeds of variation to the Noble Facility, totalling up to US$26.9 million, along with accrued interest totalling approximately US$5.7 million, will be repaid from the first drawdown of the funding package. The Company is currently in negotiations with Noble for an extension of further funds to enable achievement of the revised target for Financial Close now being 30 April 2020 (or such other mutually agreed date).

The Proposed Transaction will also require the grant of a security package which includes security over all of the assets of the Company and its subsidiaries in favour of the Lending Syndicate ('the **Security Component**').

All currencies are expressed in Australian Dollars ('**$**' or '**AUD**') unless otherwise indicated.

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 ('**our Report**') to express an opinion as to whether or not the proposal to issue a 23% shareholding in its subsidiary, LCL, to the Lending Syndicate in exchange for entering into the Debt Financing for the Boikarabelo Project ('**Proposed 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 Notice of Meeting and Explanatory Memorandum for Resgen in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 76 'Related Party Transactions' ('**RG 76**'), 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 Proposed Transaction as outlined in the body of this report. We have considered:

- how the value of Resgen's 74% interest in LCL prior to the Proposed Transaction compares to the value of Resgen's 51% interest in LCL following the Proposed Transaction;
- the likelihood of an alternative offer being made to Resgen;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- the position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Proposed Transaction is fair and reasonable to Shareholders.

In our opinion, the Proposed Transaction is fair because, whilst there is a significant risk that in certain circumstances, our valuation of LCL following the Proposed Transaction may not be realised as a result of temporary cash flow availability limitations, the range of values of Resgen's interest in LCL following the Proposed Transaction is higher than the value of Resgen's interest in LCL prior to the Proposed Transaction. If the cash flow availability limitations are not able to be resolved then our opinion would be that the Proposed Transaction is not fair but reasonable.

We consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular:

- the commercial risks of Resgen receiving much above the lower end of the pre Proposed Transaction value are significant;
- if the Proposed Transaction is not approved it is unlikely that alternative funding will be available and LCL's primary alternative will be to sell the Boikarabelo Project. If a buyer is available, given the commercial risks, in our opinion it is most likely that any sale would be at the lower end of the valuation range. At the low end of the valuation range, the value of Resgen's interest in LCL prior to the Proposed Transaction is nil; and
- the Proposed Transaction provides Resgen with the opportunity to realise increased value and positive cash flows in the long term.

We have considered the terms of the Security Component as outlined in the body of this Report and have concluded that the Security Component is fair and reasonable to the Shareholders of Resgen.

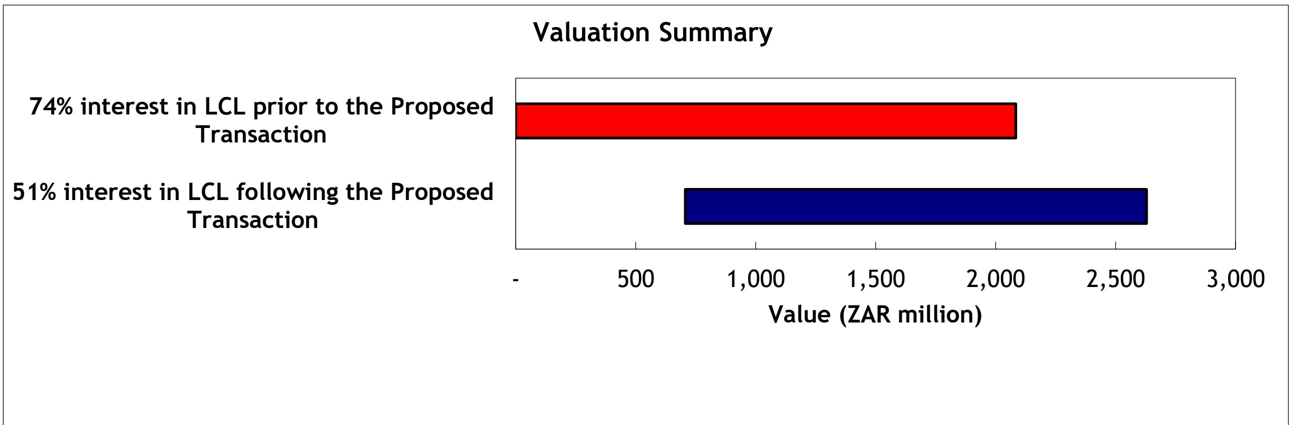
2.4 Fairness

In Section 13 we compare the value of Resgen's 74% interest in LCL prior to the Proposed Transaction with the value of Resgen's 51% interest in LCL following the Proposed Transaction, as detailed below.

	Ref	Low ZAR million	High ZAR million
Value of Resgen's 74% interest in LCL prior to the Proposed Transaction	11	Nil	2,084
Value of Resgen's 51% interest in LCL following the Proposed Transaction	12	707	2,629

Source: BDO analysis

The above valuation ranges are graphically presented below:



We have also concluded that the value of the proceeds of the security that would be provided to the Lending Syndicate under the Security Component in the event of security being called is equivalent or lower than the value of the liabilities that would be settled. This is discussed in section 13 of our Report. Therefore, in the absence of any other relevant information, this indicates that the Security Component is fair to Shareholders

We consider that the Proposed Transaction is fair for Shareholders. Our assessment takes into consideration the funding issues outlined in Section 12.1.1.

2.5 Reasonableness

We have considered the analysis in Section 14 of this report, in terms of both

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

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
14.3.1	The Proposed Transaction is fair	14.4.1	Dilution of ownership of the Project
14.3.2	Shareholders of Resgen will have the opportunity to participate in the potential returns of the Boikarabelo Project	14.4.2	Security granted over Resgen's assets
14.3.3	Provides the necessary funding required for the development of the Boikarabelo Project	14.4.3	Drawdown of funds is dependent on securing rail link funding and the Ramp-up Capital Facility
14.3.4	Ongoing Noble support	14.4.4	Delayed returns to Shareholders
14.3.5	Commitment by the South African government and the alignment of its interests with the interests of Shareholders	14.4.5	High debt exposure
14.3.6	No additional equity injection is required from Resgen and no dilution of Shareholders' holdings in the Company		
14.3.7	The Security Component is fair		
14.3.8	The Security Component allows the Proposed Transaction to proceed		

Other key matters we have considered include:

Section	Description
14.1	Alternative Proposal
14.2	Consequences of not approving the Proposed Transaction

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, 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 latest accounts given to the ASX under its Listing Rules. Based on the audited accounts of LCL and Resgen as at 30 June 2019, the value of 23% of LCL's book value of equity (after adjusting for related party loans which we have treated as quasi-equity), being the asset to be disposed, is approximately 11.6% of the equity interest of Resgen (based on an exchange rate of 1ZAR:0.101AUD).

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a substantial holder in the entity where the person and the person's associates have at any time in the last 6 months before a transaction or agreement, a relevant interest in at least 10% of the Company's voting shares. In this case, PIC (which holds 14.16% of the shares in Resgen) and Noble (which holds 13.69% of the shares in Resgen) are substantial holders in Resgen. As at the date of our Report, we are not aware of IDC having any shareholding in Resgen.

The Security Component of the Proposed Transaction, as described in this Report is deemed to be a disposal of a substantial asset by Resgen or LCL, to a substantial holder being PIC and/or Noble, for the purposes of ASX Listing Rule 10.1. Under ASX Listing Rule 10.1, the agreement to grant the security package as collateral under the Proposed Transaction to PIC and/or Noble requires Shareholder approval. Resgen is seeking this approval.

Listing Rule 10.5.10 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 Proposed 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 Proposed 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 Proposed Transaction to be a control transaction as PIC's, IDC's and Noble's interests in Resgen following the Proposed Transaction will not change. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that in analysing a proposed related party transaction, a transaction is fair if the value of the financial benefit to be provided by the entity to the related party, is equal to or less than the value of the consideration being received. In the case of this Proposed Transaction, the issue of a 23% shareholding in LCL is the subject of the transaction and represents the financial benefit. The consideration received by Resgen in return for this dilution is the value uplift of its interest in the Boikarabelo Project following the ability to fund the Project through funds provided by the Lending Syndicate.

We have elected to present our analysis on the basis of a consideration of the value of Resgen's interest in LCL prior to, and following, the Proposed Transaction, as we consider that this assessment provides Shareholders with a clear analysis upon which to base their decision. Prior to the Proposed Transaction Resgen holds a 74% interest in the Project, and following the Proposed Transaction, Resgen will hold a 51% interest in the Project, therefore this will form the basis of our comparison. We note however that the outcome is the same irrespective of whether the prescribed approach under RG111 is adopted or the approach we have used for our analysis is adopted.

RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Proposed Transaction is a control transaction. As such, we have not included a premium for control when considering the value of Resgen's interest in LCL prior to, and following, the Proposed Transaction.

Further to this, 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 Resgen's 74% shareholding in LCL, prior to the Proposed Transaction and its 51% shareholding in LCL following the Proposed Transaction (fairness – see section 13 'Is the Proposed Transaction Fair?');
- A comparison between the value of the proceeds from the sale of the security that would be provided to PIC and/or Noble under the Security Component in the event of the security being called with the value of the liabilities that would be settled (fairness – see Section 12 'Is the Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the Proposed Transaction, after reference to the value derived above (reasonableness – see section 14 'Is the Proposed 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 Proposed Transaction

On 5 December 2019, Resgen announced that it had executed binding Project Funding Agreements with PIC, IDC and Noble to provide senior and mezzanine debt financing amounting to approximately ZAR3.97 billion to Resgen's 74% subsidiary, LCL, for the development of the Boikarabelo Project in South Africa.

The Company has also executed an agreement governing the project funding ('**Common Terms Agreement**') and an equity contribution agreement under which PIC, IDC and Noble will subscribe for an aggregate of 23% of the share capital of LCL, in exchange for each of the parties advancing the New Shareholders' Loans as detailed in Section 4.3 below to LCL ('**Equity Contribution Agreement**').

The Proposed Transaction is contingent upon having binding agreements in place for a ramp-up working capital facility of ZAR550 million ('**Ramp-Up Capital Facility**') and a rail link funding facility of ZAR750 million. The rail link funding facility will be raised in a separate ring-fenced Special Purpose Vehicle ('**SPV**') of which LCL will own 49.9%, and not within LCL itself.

As part of the Proposed Transaction, amendments to LCL's Memorandum of Incorporation ('**MOI**') and Shareholders' Agreement ('**SHA**') will also be effected. In forming our opinion on the Proposed Transaction, we have considered these amendments and reflected them in our analysis where appropriate.

Further details and a more complete list of the amendments are available in the Notice of Meeting that our Report accompanies. One of the amendments to the SHA relates to the conversion of Resgen Africa's ZAR275 million worth of redeemable preference shares held in LCL into an equity subordinated loan at Financial Close. We have accounted for this conversion in our valuation of LCL following the Proposed Transaction.

4.1 Senior Debt Facilities

Under the Senior Facility Agreement between Resgen and Noble, PIC and IDC dated 28 November 2019, the Lending Syndicate have agreed to provide senior term loan facilities totalling ZAR2.34 billion ('**Senior Debt Facilities**') in the following three tranches:

- Noble Senior Loan – a fully amortising debt facility of up to ZAR850 million, exclusive of any capitalised interest or fees, to be provided by Noble;
- PIC Senior Loan – a fully amortising debt facility of up to ZAR950 million, exclusive of any capitalised interest or fees, to be provided by PIC; and
- IDC Senior Loan – a fully amortising debt facility of up to ZAR540 million, exclusive of any capitalised interest or fees, to be provided by IDC.

The Senior Debt Facilities are to be used towards funding of the Boikarabelo Project, including interest costs, and origination fees associated with the Senior Debt Facilities, and operating costs until the completion of the development of the Project ('**Project Completion Date**').

The Noble Senior Loan, PIC Senior Loan and IDC Senior Loan shall all rank pari passu and will be drawn down on a pro rata basis. The Ramp-Up Capital Facility, which will be provided by commercial lenders who are yet to be determined, will rank ahead of the Senior Debt Facilities with respect to repayment. The Senior Debt Facilities may only be drawn after all pre-conditions under the Senior Debt Facilities have been met and only after the New Shareholders' Loans (being the shareholders' loans totalling ZAR230 million advanced by Noble, PIC and IDC as outlined in Section 4.3 below) have been contributed and fully utilised, and the mezzanine debt facilities have been fully utilised. Details of the New Shareholders' Loans and mezzanine debt facilities are set out in the subsequent sections.

Other key terms pertaining to the Senior Debt Facilities are set out as follows:

- Term – seven years after the loans under the Senior Debt Facilities are first advanced;
- Principal Repayments - repaid in quarterly instalments in accordance with a sculpted repayment profile, commencing at the end of the first quarter following the Project Completion Date. In addition mandatory prepayments shall be made by way of a cash sweep in accordance with a cash flow waterfall and senior debt cash sweep as set out in the Common Terms Agreement;
- Interest – incurred at a base rate plus margin, calculated quarterly and payable in arrears. Interest will be capitalised until the Project Completion Date and will be paid in cash on a quarterly basis thereafter (subject to there being sufficient cash available, otherwise capitalised);
- Interest rate – Johannesburg Interbank Agreed Rate ('**JIBAR**') plus:
- 6% from first draw down to the Project Completion Date; and
- 5% from Project Completion Date to the final date on which all principal and interest outstanding on the Senior Debt Facilities are to be repaid in full ('**Senior Debt Maturity Date**').

4.2 Mezzanine debt facilities

Under the Mezzanine Facility Agreements between Resgen and Noble, GEPF (represented by PIC) and IDC dated 28 November 2019, the Lending Syndicate have also agreed to provide mezzanine debt facilities totalling ZAR1.63 billion ('**Mezzanine Debt Facilities**') in the following three tranches:

- Noble Mezzanine Loan – a debt facility of up to ZAR720 million, exclusive of any capitalised interest or fees, to be provided by Noble;
- GEPF Mezzanine Loan - a debt facility of up to ZAR550 million, exclusive of any capitalised interest or fees, to be provided by PIC; and
- IDC Mezzanine Loan – a debt facility of up to ZAR360 million, exclusive of any capitalised interest or fees, to be provided by IDC.

The Mezzanine Debt Facilities are to be used towards funding the development activities of the Boikarabelo Project, including interest costs, and origination fees associated with the Mezzanine Debt Facilities, repayment of the New Noble Facility amount (being the amounts advanced by Noble subsequent to the original Noble Facility amounting to US$26.9 million), together with capitalised interest thereon, and operating costs until the Project Completion Date.

The Mezzanine Debt Facilities shall all rank pari passu, but will be subordinated to the Senior Debt Facilities. The Noble Mezzanine Loan will be advanced first and once drawn down in full, the GEPF and IDC Mezzanine Loans will be drawn down on a pro-rata basis. The Mezzanine Debt Facilities may only be drawn after all pre-conditions under the Mezzanine Debt Facilities have been met and only after the New Shareholders' Loans have been contributed, and the entire Noble Mezzanine Loan has been utilised. Details of the New Shareholders' Loans are set out in the subsequent section.

Other key terms pertaining to the Mezzanine Debt Facilities are set out as follows:

- Term – 12 years after the loans under the Mezzanine Debt Facilities are first advanced;
- Repayment – repaid in accordance with a cash flow waterfall via a cash sweep mechanism for the Mezzanine Debt Facilities;
- Interest – incurred quarterly at a base rate plus margin, calculated quarterly and payable in arrears. Interest will be capitalised until the Project Completion Date and will be paid in cash on a quarterly basis thereafter (subject to there being sufficient cash available, otherwise capitalised);
- Interest rate – JIBAR plus:

– 12% from first draw down to the Project Completion Date; and

9% from Project Completion Date to the final date on which all principal and interest outstanding on the Mezzanine Debt Facilities are to be repaid in full.

The Senior Debt Facilities and Mezzanine Debt Facilities are subject to other terms outlined in the Common Terms Agreement relating to:

- origination, administration, facility agent and cancellation fees;
- a hedging policy to be agreed between Resgen and the Lending Syndicate to hedge exchange rate, coal price and interest rate risks, for which Noble shall have the first right refusal to conduct hedging on behalf of LCL;
- a security package including security granted by the Company and its subsidiaries; LCL, Resgen Africa Holdings Ltd (‘**Resgen Africa**’), Resgen South Africa Pty Ltd (‘**Resgen South Africa**’) and Resgen Mauritius Limited (‘**Resgen Mauritius**’);
- PIC and IDC to have board appointment rights for LCL however the appointment rights remain proportional to the shareholdings – ie Resgen will retain control; and
- covenants relating to debt service cover ratio, reserve tail ratio, cash interest cover ratio and minimum level of shareholders’ funds level.

The security package will result in the granting of security over all of the assets of the Company and its subsidiaries in favour of the Lending Syndicate. A breach or default of the Senior Debt Facilities or Mezzanine Debt Facilities would enable the Lending Syndicate to exercise their rights under the facilities, which may require the Company and/or its subsidiaries to cede some, or all, of the assets which are subject to the security to the Lending Syndicate.

4.3 New Shareholders’ Loans

Under the Equity Contribution Agreement, the Lending Syndicate has agreed to subscribe for 23% of the share capital of LCL at a nominal value of ZAR0.01 per share. The existing LCL shareholders, being Resgen Africa and Fairy Wing Trading 136 (Pty) Ltd (‘**Fairy Wing**’), will also subscribe for shares in LCL such that, following the subscription, the shareholding will be as follows:

Shareholder	Percentage holding
Resgen Africa	51%
Fairy Wing	26%
IDC	10%
GEPF (represented by PIC)	10%
Noble	3%
Total	**100%**

The Lending Syndicate are each obliged to make available and advance New Shareholders' Loans totalling ZAR230 million broken down as follows:

- GEPF (represented by PIC) – an amount equal to ZAR100 million;
- IDC – an amount equal to ZAR100 million; and
- Noble - an amount equal to ZAR30 million.

The Equity Contribution Agreement includes a suspensive condition relating to the conversion of the existing redeemable preference shares in LCL which are held by Resgen Africa, into an equity subordinated loan at or prior to Financial Close.

Resgen Africa has previously provided a shareholder's loan to LCL ('**Resgen Shareholder Loan**'). Upon conversion of the redeemable preference shares, it will be rolled into the Resgen Shareholder Loan. The Resgen Shareholder Loan will rank below any other equity subordinated loans and the Noble Facility, while the other shareholders loans will rank pari-passu but above this Resgen Shareholder Loan.

The equity contributions will be subject to the following order of utilisation:

- first, the Noble equity contribution; and
- second, and provided that the Noble Mezzanine Loan Facility has been fully disbursed, the GEPF (represented by PIC) and IDC equity contributions.

The equity subordinated loans will be unsecured and interest free.

5. Profile of Resgen

5.1 Background

Resgen is a dual listed ASX and Johannesburg Stock Exchange ('**JSE**') emerging coal production company. The Company's flagship asset is the Boikarabelo Project, located in the Limpopo province of South Africa. Resgen was listed on the ASX in October 2006 and on the JSE in July 2010. The Company's head office is located in Johannesburg, South Africa.

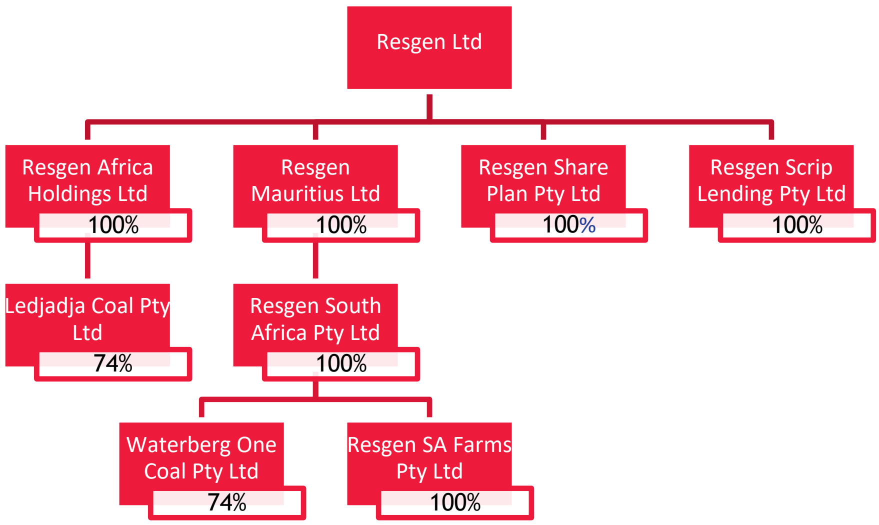
Through its 74% holding in subsidiary LCL (which is held via its 100% subsidiary Resgen Africa), the Company owns the mining and prospecting rights to the Boikarabelo Project area. The Boikarabelo Project is currently negotiating financing for development, with production expected to commence in 2022. 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 (‘**km^2**’). The Waterberg #1 tenement has a total Indicated Coal Resource of 981.1 million tonnes. The mining right application for Waterberg #1 was lodged at the end of 2015 and the Company is awaiting the outcome of this process.

The current board of directors and senior management of Resgen are:

- Mr Lulamile Xate - Chairman and Non-Executive Director;
- Mr Leapeetswe Rapula Radiala (Papi) Molotsane – Interim Managing Director and Chief Executive Officer;
- Mr Rob Croll – Lead Independent Non-Executive Director;
- Mr Gregory Hunter – Non-Executive Director (Noble Director Nominee);
- Mr Manish Dahiya – Alternate to Mr Gregory Hunter;
- Mr Colin Gilligan – Independent Non-Executive Director;
- Dr Konji Sebati – Independent Non-Executive Director;
- Mr Michael Gray - Independent Non-Executive Director;
- Mr Zirk Van der Bank – Chief Operational 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 2019

Resgen Mauritius is a private company incorporated in Mauritius in February 2009 and is a wholly owned subsidiary of Resgen. Its registered office is located in Ebene, Mauritius.

Resgen Mauritius holds a 100% ownership interest in Resgen South Africa, a privately owned company incorporated in South Africa in November 2006. Its registered office located in Johannesburg, South Africa.

Waterberg One is a private company incorporated in South Africa in November 2008, in which Resgen South Africa holds a 74% ownership interest. Waterberg One has its registered office in Johannesburg, South Africa and previously held prospecting rights to three properties in the Waterberg region. The mining rights application for Koert Louw Zyn Pan (**'Waterberg #1'**), which is located adjacent to the Boikarabelo site was lodged in late 2015 and is currently pending approval. The tenements over Lisbon (**'Waterberg #2'**) and Zoetfontein (**'Waterberg #3'**) were relinquished in FY18 due to their low Coal Resource.

Resgen Africa is a private company incorporated in Mauritius in August 2009 and is another wholly owned subsidiary of Resgen. Its registered office is located in Ebene, Mauritius.

Through Resgen Africa, Resgen holds a 74% interest in LCL, which is the project vehicle for Boikarabelo. LCL was incorporated in South Africa in April 2006 and is a South African black economic empowerment ('**BEE**') company. LCL's registered office is located in Johannesburg, South Africa.

Resgen's interest in LCL and Waterberg One is 74%, while Fairy Wing, a wholly black-owned South African company, owns 26% in each. Pursuant to the terms of a loan from Resgen to facilitate the acquisition of the shares, Fairy Wing only nominally holds the minority interests and is not currently entitled to a share in the residual interest of LCL and Waterberg One. As such, a non-controlling interest is not presented in Resgen's consolidated financial statements.

Resgen Share Plan Pty Ltd is an entity that facilitates the Company's share-based compensation plan while Resgen Scrip Lending Pty Ltd was established to facilitate the Company's secondary listing on the JSE.

5.3 Recent Announcements on Resgen's Funding Facilities

On 3 March 2014, Resgen first entered into the Noble Facility, which initially comprised a US$20.0 million facility. At that time, the Noble Facility was unsecured and was initially repayable from June 2016. Many subsequent extensions have since been granted, as detailed below.

On 26 February 2015, Resgen announced funding negotiations were underway with Rand Merchant Bank ('**RMB**'), HSBC Bank's Johannesburg branch ('**HSBC**'), the IDC, 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 8 August 2016, Resgen announced that its subsidiary LCL had entered into an agreement with RMB, IDC, PIC and Noble to secure funding of ZAR5.52 billion (A$515.0 million at the prevailing exchange rate) to complete construction of the Boikarabelo Project to the point of commissioning ('**Syndicate Facility**'). RMB has since withdrawn involvement. The Syndicate Facility 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 Noble Facility, under which additional funds of up to US$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 four tranches over the period to 30 September 2017, at which point the fully drawn Noble Facility totalled US$28.4 million.

On 7 December 2017, a further extension of the Noble Facility 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. Following the extension, the total value made available to Resgen under the Noble Facility was US$32.2 million.

On 29 March 2018, Resgen announced a further US$2.5 million extension of the Noble Facility which was 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, the Company announced that the first party to the Syndicate Facility, 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 Lending Syndicate, the agreement is no longer subject to a committed domestic coal supply agreement with Eskom. The remaining two lenders in the syndicate were still involved in the internal credit approval process for the agreement.

On 1 August 2018, Resgen announced an additional US$2.5 million extension of the Noble Facility with repayments deferred until 1 November 2018. The total amount available for borrowing following this extension was US$37.2 million.

On 20 August 2018, the Company provided a market update in which it flagged likely further delays to the Syndicate Facility. The Company was also considering involvement by a third party as a substitute funder or as a complementary participant.

On 13 September 2018, the Company announced it expected to receive approval from one of the lenders in the Lending Syndicate by the end of October 2018. Resgen was also continuing dialogue with an alternative third party as a substitute or complimentary party in the Lending Syndicate and had anticipated the Financial Close for project funding will be achieved by 31 March 2019.

On 30 October 2018, Resgen announced another extension of the Noble Facility, this time the first repayment date was postponed from 1 November 2018 to 30 June 2019. The working capital facility (a component of the Noble Facility) was also increased by US$4.7 million, such that the total commitment available under the Noble Facility was US$41.9 million. One of the conditions of the extension was that Resgen granted a share pledge over its 74% interest in LCL, a condition which required shareholder approval (or an appropriate ASX waiver) under ASX Listing Rule 10.1. BDO was subsequently engaged as the Independent Expert pursuant to this matter, and produced a report concluding that the share pledge and extension of the Noble Facility was fair and reasonable to the non-associated Resgen shareholders.

On 12 November 2018, the Company announced that the Syndicate Facility faced delays as one of the lenders had not yet secured approval internally. Resgen was working with that lender to confirm a revised timeline aimed at finalising approvals before the Christmas break in South Africa. As a result of this delay, Resgen announced it would also accelerate discussions with the alternative lenders.

On 5 December 2018, Resgen provided a market update on the Syndicate Facility. Further delays from one of the lenders meant that the timeline to finalise approvals before the Christmas break would not be met and as a result, the targeted date for Financial Close would be delayed.

On 15 March 2019, the Company reached a conditional agreement with Noble to increase the Noble Facility by US$2.5 million to US$44.4 million and to delay the first repayment to 30 September 2019. The agreement was conditional upon Resgen securing credit approvals from all of the lenders in the Syndicate. As part of this increase in the Noble Facility, Resgen would also have to obtain an ASX Listing Rule 10.1 waiver.

On 1 April 2019, the Company disclosed that it still had not received credit approvals from all lenders in the Syndicate and consequently, an urgent meeting with them had been requested to discuss this matter.

In Resgen's quarterly report for the quarter ended 31 March 2019, released on 30 April 2019, the Company disclosed that it was still awaiting credit approval from the third potential lender in the Lending Syndicate and Financial Close for project funding was now targeted to be late August/September 2019.

On 22 May 2019, the Company announced it had successfully extended the Noble Facility by an additional US$2.5 million with first date of repayment delayed to 30 September 2019 from 30 June 2019.

On 3 June 2019, Resgen announced that the second lender in the Lending Syndicate had provided credit approval for its proposed contribution to the Syndicate Facility. Resgen was still awaiting credit approval from the third and final lender.

On 24 June 2019, the Company announced that the third and final lender in the Lending Syndicate had provided credit approval for its proposed contribution. The participation is subject to certain terms and board approval of a Common Term Sheet. Resgen also confirmed the Syndicate Facility would total ZAR4.2 billion (approximately A$420 million at the prevailing exchange rate) with targeted Financial Close yet to be finalised. In addition, Resgen also revealed that the funding package of ZAR750 million for construction of the 44km rail infrastructure linking the mine to the Transnet main line was in advanced negotiations. The Company also, at the time, envisaged it would need to raise an additional ZAR500 million (approximately A$50 million) in working capital in the lead up to commissioning of the Project. This estimated amount was subsequently increased to ZAR550 million.

On 8 October 2019, Resgen announced it had received conditional approval from Noble to increase the Noble Facility by an additional US$2.5 million to US$46.9 million and to further delay the first repayment to 28 February 2020. This was subsequently amended to 31 March 2020 and Resgen obtained an ASX Listing Rule 10.1 waiver pursuant to this on 3 December 2019. At present, the Company is in negotiations with Noble for an extension of this repayment date to 30 April 2020 (or such other mutually agreed date), being the revised target for Financial Close, and is in negotiations with Noble for further funds to enable achievement of the revised target for Financial Close.

On 3 December 2019, the Company announced LCL had entered into debt and equity non-binding term sheets with three lenders in the Lending Syndicate and it had secured a waiver from ASX Listing Rule 10.1 to permit the Company to secure up to a further US$2.5 million in conditional funding from Noble.

On 5 December 2019, the Company announced that binding agreements for the funding of the construction of the Boikarabelo Project had been executed between Resgen, LCL and the Lending Syndicate.

5.4 Historical Statements of Financial Position

Consolidated Statement of Financial Position	Audited as at 30-Jun-19 $'000	Restated as at 30-Jun-18 $'000	Restated as at 30-Jun-17 $'000
CURRENT ASSETS			
Cash and cash equivalents	1,474	1,729	4,682
Trade and other receivables	56	82	170
Deposits and prepayments	175	168	180
TOTAL CURRENT ASSETS	**1,705**	**1,979**	**5,032**
NON-CURRENT ASSETS			
Property, plant and equipment	30,245	29,563	30,321
Mining tenements and mine development	174,602	159,089	151,047
Deposits	1,277	1,207	2,042
TOTAL NON-CURRENT ASSETS	**206,124**	**189,859**	**183,410**
TOTAL ASSETS	**207,829**	**191,838**	**188,442**
CURRENT LIABILITIES			
Trade and other payables	4,226	6,302	8,185
Provisions	207	563	300
Borrowings	20,964	19,660	12,665
TOTAL CURRENT LIABILITIES	**25,397**	**26,525**	**21,150**
NON-CURRENT LIABILITIES			
Provisions	2,418	2,150	2,175
Borrowings	66,251	44,420	34,115
Royalties payable	1,625	1,645	1,869
TOTAL NON-CURRENT LIABILITIES	**70,294**	**48,215**	**38,159**
TOTAL LIABILITIES	**95,691**	**74,740**	**59,309**
NET ASSETS	**112,138**	**117,098**	**129,133**
EQUITY			
Contributed equity	223,622	223,622	223,622
Reserves	(37,520)	(38,603)	(36,910)
Accumulated losses	(73,964)	(67,921)	(57,579)
TOTAL EQUITY	**112,138**	**117,098**	**129,133**

Source: 2019 Resgen Annual Report

The Company's current auditor, BDO, issued an unmodified audit report with no qualifications for the year ended 30 June 2019. The Company's previous auditors, Deloitte, also issued unmodified audit reports without qualifications for the years ended 30 June 2018 and 30 June 2017. However, we note that the Company's auditors outlined in each of these reports, the existence of material uncertainty relating to the ability of the Company to continue as a going concern, noting that it is dependent on the drawdown and extension of the Company's existing working capital loan with Noble, securing additional funding and receiving funding for its Boikarabelo Project.

Commentary on Historical Consolidated Statement of Financial Position

- Over the financial year ended 30 June 2019, net operating cash outflows of $5.83 million (primarily payments to suppliers and employees), net investing cash outflows of $5.60 million (primarily payments for mining tenements and mining development), and repayment of borrowings of $2.24 million were largely offset by cash from drawdown of borrowings ($13.3m), such that the decrease in cash and cash equivalents over the year was approximately $0.25 million.
- Property, plant and equipment of $30.25 million at 30 June 2019 primarily comprised of land and buildings recognised at cost, less any accumulated depreciation. The small increase from 30 June 2018 to 30 June 2019 was mainly a result of foreign exchange rate movements.
- Mining tenements and mine development increased by $15.51 million from $159.09 million at 30 June 2018 to $174.60 million at 30 June 2019 reflecting development expenditure capitalised at the Boikarabelo Project. Of this balance, $5.60 million pertains to interest capitalised. The mining tenements and mining development are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management has estimated the recoverable amount (which is based on a fair value less cost to sell) to exceed the carrying value as at 30 June 2019.
- Non-current deposits of approximately $1.24 million are mining-related licence deposits.
- The trade and other payables balance of $4.23 million as at 30 June 2019 consists primarily of other payables in the form of accrued expenditure.
- Current provisions relate to annual leave provisions for the Company's employees.
- As at 30 June 2019, current borrowings primarily comprised the Noble Facility ($20.43 million). The remaining balance of $0.53 million relates to a deferred payment plan with EHL Energy Pty Ltd for the construction of the electricity sub-station at the Boikarabelo Project ('**EHL Loan**'). The EHL Loan was subsequently paid off in August 2019. LCL is the borrower under both of the loan facilities.
- Non-current provisions relate to rehabilitation provisions for the Company's Boikarabelo Project. An assessment of the rehabilitation provision was performed by an external consultant during 2016 and is reviewed by the Company on an annual basis.
- Non-current borrowings of $66.25 million as at 30 June 2019 relate entirely to the Noble Facility, which is secured by a pledge over Resgen's interest in 74% of the shares in LCL. Resgen's total borrowings (current and non-current) increased from $64.08 million as at 30 June 2018 to $87.22 million as at 30 June 2019 due to the increase in the Noble Facility, partially offset by a reduction in the EHL Loan.
- The royalties payable of $1.63 million as at 30 June 2019 are only payable upon the commencement of coal production at the Boikarabelo Project. It is calculated on the basis of ZAR2.00 per tonne of coal extracted and sold from the Boikarabelo Project to a maximum of 15 million tonnes and discounted to present value, using a discount rate of 14.99%.
- As at 30 June 2019, reserves primarily comprised a foreign currency translation reserve (-$37.05 million). As Resgen's only potential mining operation is in South Africa, the 3% appreciation of the Rand against the Australian dollar over the 2019 financial year resulted in a small increase in this balance from the ($38.64) million recorded as at 30 June 2018. Also included in the reserves

balance is -$2.08 million relating to treasury shares which the Company has used in the 2017 and 2018 financial years to issue as share-based compensation for certain key management personnel.

- There is also a potential property acquisition of $11.30 million contingent to events subsequent to the commencement of mine production. Of this, approximately $9.69 million relates to Resgen South Africa while the remaining relates to LCL. Resgen has advised that the purchase commitments held by LCL have expired, but the commitments relating to Resgen South Africa are still applicable. Resgen has advised that these properties are likely to be acquired by LCL and funded from the cash flows of the Project once production begins.

5.5 Historical Statement 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-19 $'000	Restated for the year ended 30-Jun-18 $'000	Restated for the year ended 30-Jun-17 $'000
Revenue			
Interest revenue	140	218	182
Other income	80	333	577
	220	551	759
Expenses			
Administration, rent and corporate	(2,914)	(3,211)	(3,606)
Depreciation of property, plant and equipment	(258)	(380)	(387)
Employee benefit expense	(1,868)	(2,467)	(2,640)
Finance expenses	(594)	(1,627)	(3)
Share based payments expense	503	(202)	(355)
Unrealised foreign exchange movements	(1,132)	(3,006)	4,257
Loss before income tax	**(6,043)**	**(10,342)**	**(1,975)**
Income tax benefit/(expense)	-	-	1
Loss for the period	**(6,043)**	**(10,342)**	**(1,974)**
Exchange differences on translation of foreign operations, net of tax	1,586	(1,854)	13,648
Total comprehensive profit/(loss) for the year	**(4,457)**	**(12,196)**	**11,674**

Source: 2019 Resgen Annual Report

The Company's current auditor, BDO, issued an unmodified audit report with no qualifications for the year ended 30 June 2019. The Company's previous auditors, Deloitte, also issued unmodified audit reports without qualifications for the years ended 30 June 2018 and 30 June 2017. However, we note that the Company's auditors outlined in each of these reports, the existence of material uncertainty relating to the ability of the Company to continue as a going concern, noting that it is dependent on the drawdown and extension of the Company's existing working capital loan with Noble, securing additional funding and receiving funding for its Boikarabelo Project.

Commentary on Consolidated Statement of Profit or Loss and Other Comprehensive Income

- Employee benefits expense decreased from $2.47 million for the year ended 30 June 2018 to $1.87 million for the year ended 30 June 2019 as a result of the Company imposing a strict cash conservation regime, which included a headcount reduction across all levels within the organisation.

- Finance expenses relate to interest payments on the Noble Facility and the EHL Loan. The Noble Facility carries a fixed interest rate of 10.75% per annum while the EHL Loan has interest payable at the ABSA Bank prime lending rate plus 3%. Both are repayable in quarterly instalments. The majority of interest on the Noble loan is capitalised with only the portion that is used in operations being expensed.
- Share based payment expenses reflects a credit to the employee share plan as a result of performance rights forfeited following the resignation of Chief Financial Officer, Mr. Brendan O'Regan, effective 31 January 2019.
- Unrealised foreign exchange movements arise from the translation of the amount outstanding under the Noble Facility, which is denominated in USD.
- Exchange differences on the translation of foreign operations occurred as a result of fluctuations in the exchange rate between the ZAR and the AUD, and the ZAR and the USD.

5.6 Capital Structure

The share structure of Resgen as at 31 January 2020 is outlined below:

	Number
Total ordinary shares on issue	581,380,338
Top 20 shareholders	394,623,166
Top 20 shareholders - % of shares on issue	67.88%

Source: Resgen management

The range of shares held in Resgen as at 31 January 2020 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	568	249,062	0.04%
1,001 - 5,000	618	1,771,226	0.30%
5,001 - 10,000	328	2,675,635	0.46%
10,001 - 100,000	776	30,727,715	5.29%
100,001 - and over	376	545,956,700	93.91%
TOTAL	**2,666**	**581,380,338**	**100.00%**

Source: Resgen management

The ordinary shares held by the most significant shareholders as at 31 January 2020 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Government Employees Pension Fund (PIC)	82,318,430	14.16%
Noble Resources International Pte Ltd	79,609,933	13.69%
Shinto Torii Inc	62,124,089	10.69%
Subtotal	224,052,452	38.54%
Others	357,327,886	61.46%
Total ordinary shares on Issue	**581,380,338**	**100.00%**

Source: Resgen management

There are currently no options on issue.

6. Profile of Ledjadja Coal

6.1 History

LCL is a South African Black Economic Empowerment company which owns the Boikarabelo Project. LCL was incorporated in South Africa in April 2006 and its registered office is located in Johannesburg, South Africa. Through Resgen Africa, Resgen acquired a 74% ownership interest in LCL in 2009. Fairy Wing, 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. Pursuant to the terms of a loan extended to Fairy Wing from Resgen South Africa to facilitate the acquisition of LCL shares, Fairy Wing only nominally holds the minority interest and is not entitled to a share in the residual interest of LCL.

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.

6.2 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. Total deposits in the Waterberg region are estimated to be as high as 75 billion tonnes, representing 40% of South Africa's remaining reserves and development of the region forms a key part of South Africa's National Development Plan ('**NDP**'). The Boikarabelo Coal Resource stands at 994.8 million tonnes. Annual production is planned at 6 million product tonnes, which will supply local and global customers. Included in the Coal Resource is a Probable Reserve of 267.1 million tonnes.

The Boikarabelo Project comprises one granted mining right (MPT169 MR) that is owned by LCL and encompasses a number of areas as set out below:

Area	(Km^2)
Witkopje (Ledjadja #1)	17
Draai Om (Ledjadja #2)	11
Kalkpan (Ledjadja #3)	13
Osorno (Ledjadja #4)	11
Zeekoevley (Ledjadja #5)	13
Vischpan (Ledjadja #6)	12
Kruishout (Ledjadja #7)	12

The Coal Resources estimate of 994.8 million tonnes for the Boikarabelo Coal Project comprises the areas referred to as Ledjadja #1S and Ledjadja #3. Of this 994.8 million tonnes, 84.0 million tonnes are classed as JORC Code (2012) Indicated Resource, and the remaining 910.8 million tonnes are classed as JORC Code (2012) Measured Resource. The planned open pit area is situated on these two areas only. In addition, the Project includes a JORC Code (2004) Inferred Resource of 1,479Mt which is outside of the planned mining area.

Resgen also holds a prospecting right, through its subsidiary Waterberg One, for the Waterberg One Coal Project which is adjacent to the Boikarabelo Project and has a JORC Code (2012) Inferred Resource of 981 million tonnes. This Inferred Resource is outside of LCL and as such is not considered in our valuation.

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 in advanced negotiations for a funding package of ZAR750 million 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 mine development as part of a low-risk execution strategy. In August 2018, LCL executed contracts for the engineering design, construction, commissioning, operation, and maintenance of the Boikarabelo Project's coal handing and preparation plant ('**CHPP**').

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 2022 with planned annual production of approximately 6 million tonnes of product.

Export off-take agreements are in place with two Indian counterparties, one for 38 years and the other for 20 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 eight 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 to the previous owner upon the commencement of coal production from the Boikarabelo Project and will be calculated on the basis of the amount of coal extracted and sold. This royalty is currently capped at a maximum of ZAR30 million but will be reduced proportionately as a result of the dilution in LCL following the Proposed Transaction.

In addition to Royalties payable to the previous owner, government royalties are payable on earnings from the Project. These royalties are calculated based a minimum of 0.5% to a maximum of 7.0%, depending on the level of EBIT.

6.2.1. Project Rail Link

A 44km rail link connecting the Project to the Transnet Freight Rail main line will be constructed ('**Project Rail Link**'). The rail link will be constructed, owned and operated by a SPV, which will be owned 49.9:50.1 by LCL and a joint venture partner. The Company is in advanced negotiations for the funding of the rail link. The funding of the rail link will be external to LCL, with security ring-fenced to the SPV. Once constructed, the SPV will charge a tariff to LCL for the use of the rail link. LCL will receive distributions of profits from the SPV by virtue of its 49.9% participation.

Conclusion of an unconditional fully funded Project Rail Link funding agreement, with all suspensive conditions thereto satisfied or waived, is a condition precedent of Financial Close of the Proposed Transaction.

6.3 LCL - Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-19 ZAR	Restated as at 30-Jun-18 ZAR	Restated as at 30-Jun-17 ZAR
CURRENT ASSETS			
Cash and cash equivalents	11,830,623	15,373,925	32,331,004
Receivables	1,936,708	1,703,237	1,530,594
Related party loan	71,207	-	-
TOTAL CURRENT ASSETS	**13,838,538**	**17,077,162**	**33,861,598**
NON-CURRENT ASSETS			
Deposits	12,785,716	12,552,449	12,442,157
Property, plant and equipment	8,726,897	10,799,558	13,713,078
Mining tenements and development	1,462,644,381	1,329,156,171	1,206,016,610
TOTAL NON-CURRENT ASSETS	**1,484,156,994**	**1,352,508,178**	**1,232,171,845**
TOTAL ASSETS	**1,497,995,532**	**1,369,585,340**	**1,266,033,443**
CURRENT LIABILITIES			
Creditors	36,544,413	61,241,300	76,591,444
Provisions	1,409,404	3,008,757	3,401,945
Loans	206,581,263	199,412,851	132,128,728
Related party loans	537,586,242	528,306,187	517,898,979
TOTAL CURRENT LIABILITIES	**782,121,322**	**791,969,095**	**730,021,096**
NON-CURRENT LIABILITIES			
Related party loans	-	-	-
Loans	652,877,753	450,538,759	348,849,492
Provisions	39,845,378	38,487,709	40,544,293
TOTAL NON-CURRENT LIABILITIES	**692,723,131**	**489,026,468**	**389,393,785**
TOTAL LIABILITIES	**1,474,844,453**	**1,280,995,563**	**1,119,414,881**
NET ASSETS	**23,151,079**	**88,589,777**	**146,618,562**
EQUITY			
Share capital and premium	285,000,300	285,000,300	285,000,300
Accumulated losses	(261,849,221)	(196,410,523)	(138,381,738)
TOTAL EQUITY	**23,151,079**	**88,589,777**	**146,618,562**

Source: LCL's audited financial statements for the years ended 30 June 2019, 30 June 2018 and 30 June 2017

We note that LCL's auditor issued an unmodified audit report with no qualifications for the years ended 30 June 2019, 30 June 2018 and 30 June 2017. However, we note that the auditor outlined in each of these reports, the existence of material uncertainty relating to the ability of LCL to continue as a going concern is dependent on securing additional funding and receiving funding for its Boikarabelo Project.

Commentary on Historical Statement of Financial Position

- Over the financial year ended 30 June 2019, net operating cash outflows of ZAR73.10 million (primarily cash used in operations), net investing cash outflows of ZAR55.07 million (primarily payments for mining tenements and mining development), and repayment of loans of ZAR20.97 million were largely offset by cash from the drawdown on Noble loan of ZAR134.94 million, intercompany loan of ZAR9.28 million and interest receipts of ZAR1.37 million such that the decrease in cash and cash equivalents over the year was approximately ZAR3.54 million.

- Receivables of ZAR1.94 million as at 30 June 2019 largely comprised prepayments of ZAR1.34 million and VAT receivable of ZAR0.45 million.
- The ZAR0.71 million in related party loans listed as a current asset at 30 June 2019 related to intercompany loans to Resgen South Africa and Waterberg One.
- Deposits of ZAR12.79 million as at 30 June 2019 largely related to a deposit to South African national utility company, Eskom, for electricity works carried out.
- Property, plant and equipment primarily comprised of land, buildings, office equipment, computers and vehicles.
- Mining tenements and development represents the development costs fully capitalised for the Boikarabelo Project, largely consisting of mine planning and development, rail, administration, and coal handling and processing plan costs. Development costs are then tested for impairment based on management's expectations of estimates of export coal prices, the USD:ZAR exchange rate, and the discount rate.
- The majority of the ZAR36.54 million in current creditors as at 30 June 2019 related to amounts owed to Protech Khuthele ('**Protech**'), a South African construction company that was liquidated. In addition to the amounts owed, the liquidators of Protech have claimed damages of approximately ZAR48 million for loss of profits Protech would have earned had LCL not repudiated the construction contracts prior to Protech's liquidation. LCL's legal advisors have advised that the cancellation of the contract was allowed for under the contract entered into and therefore, the ZAR48 million claim being sought by the liquidators does not require a provision to be recognised. Protech delivered its replication to LCL's plea on 31 May 2018. Since then, no steps have been taken by Protech to pursue the claim nor has it made an application for a trial date.
- Current provisions consisted of annual leave accruals and other payroll provisions.
- The loans listed under current liabilities reflects the current portion of the EHL Loan and Noble Facility, with the Noble Facility representing ZAR201.3 million of the total balance of ZAR206.6 million. The EHL Loan, which has now been settled in full, was denominated in ZAR while the Noble Facility is denominated in USD. The non-current portion of the loans of approximately ZAR652.88 million as at 30 June 2019 related to the Noble Facility. The Noble Facility was drawn down as an unsecured loan from Noble in March 2014 and is secured by a Share Pledge over Resgen's interest in 74% if the shares in LCL held by Resgen Africa. Subsequent to 30 June 2019, Noble made up to a further US$2.5 million available to fund operations until Financial Close is achieved, at that time targeted for March 2020. The Company is currently negotiating and extension of this date to 30 April 2020 (or such other mutually agreed date) due to a revision to the target date for Financial Close.
- Non-current related party loans represents the loan from Resgen Africa granted in 2014. The loan is payable on demand, although is not expected to be repaid until LCL generates sale cash flows. Interest charged on the loan is 0% per annum.
- Non-current provisions relates to provisions for rehabilitation and a provision for royalties. As the Boikarabelo Mine remains in development, the rehabilitation provision only reflects a premature closing obligation, and is discounted to its net present value. The royalty is payable upon

commencement of coal production. It is calculated on a maximum of 15 million tonnes on the basis of ZAR2 per tonne of coal extracted and sold, and is discounted to fair value in line with anticipated production. The royalty is payable to a Canadian company which was the original shareholder in Resgen Africa.

- Included in the share capital and premium account are 2,750 redeemable preference shares as set out below. The redeemable preference shares attract a cumulative dividend paid quarterly at the prime interest rate of South Africa plus 2%, with the maturity date at LCL's discretion. No dividends were paid or declared during the 2018 or 2017 financial years.

Share capital and premium	Number	Issued value (ZAR)
Ordinary shares fully paid	43,715	437
of which 13,715 shares issued at a premium		9,999,863
Redeemable preference shares	2,750	275,000,000
Total shares on Issue	**46,465**	**285,000,300**

The Equity Contribution Agreement includes a suspensive condition relating to the conversion of the redeemable preference shares into an equity subordinated loan at, or prior to, Financial Close.

6.4 LCL - Historical Statement of Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-19 ZAR	Restated for the year ended 30-Jun-18 ZAR	Restated for the year ended 30-Jun-17 ZAR
Revenue			
Interest income	1,374,833	1,968,224	1,517,982
Other income	1,000	2,079,739	43,989,138
Expenses			
Finance costs	(5,980,703)	(4,497,212)	(32,727)
Administration and other expenses	(60,833,828)	(57,579,536)	(30,244,523)
Loss from continuing operations before income tax	**(65,438,698)**	**(58,028,785)**	**15,229,870**
Income tax benefit	-	-	-
Loss from continuing operations after income tax	**(65,438,698)**	**(58,028,785)**	**15,229,870**
Total comprehensive loss for the year	**(65,438,698)**	**(58,028,785)**	**15,229,870**

Source: LCL's audited financial statements for the years ended 30 June 2019, 30 June 2018 and 30 June 2017

We note that LCL's auditor issued an unmodified audit report with no qualifications for the years ended 30 June 2019, 30 June 2018 and 30 June 2017. However, we note that the auditor outlined in each of these reports, the existence of material uncertainty relating to the ability of LCL to continue as a going concern is dependent on securing additional funding and receiving funding for its Boikarabelo Project.

Commentary on Statement of Profit or Loss and Other Comprehensive Income

- The other income of ZAR2.08 million recorded for the financial year ended 30 June 2018 comprised of fair value adjustments on LCL's royalty provision (following an increase in the discount rate used from 10.85% to 14.99%) as well as a ZAR23,154 profit realised on the sale of certain property, plant and equipment. Other income of ZAR1,000 for the year ended 30 June 2019 related to profit realised on the sale of property, plant and equipment.
- Administration and other expenses primarily consisted of:
  - unrealised foreign exchange losses (primarily due to the Noble Facility which is denominated in USD terms) – ZAR11.4 million;
  - rental for properties – ZAR15.7 million;
  - settlement fee for a creditor (Burnvoir) – ZAR10.9 million;
  - costs associated with due diligence and project financing – ZAR9.3 million;
  - corporate charges ZAR9.1 million; and
  - others.

7. Profile of the Lenders

7.1 IDC

The IDC is a South African, wholly Government owned financial institution established in 1940 to promote economic growth and industrial development within the country and the rest of Africa. The key priorities of the IDC are development of South Africa's industrial capacity and the creation of jobs through industrialisation.

The IDC falls under the supervision of the Economic Development Department and aims to act as the primary source of commercially sustainable industrial development and innovation to the mining, agriculture, manufacturing, telecommunications and tourism industries in Africa and South Africa. Current activities focus on projects aligned with the South African NDP, which includes development of the Waterberg region, amongst other Government initiatives.

According to the IDC's Annual Report for 2019 the IDC approved 192 transactions totalling ZAR13.1 billion in 2019 and ended the year with ZAR145 billion in assets. IDC's funding is generated through borrowings from commercial banks and other financial institutions, income from loan and equity investments and the sale of mature investments.

Further information about IDC is available at www.idc.co.za.

7.2 PIC

The PIC is a wholly Government owned asset management firm in South Africa, which focuses solely on the public sector. Established in 1911, PIC was corporatised in 2005 in accordance with the Public Investment Corporations Act, 2004. It is one of the largest investment funds in Africa with ZAR2,131 billion assets under management as at 31 March 2019. PIC operates similarly to a private sector financial services provider, delivering returns for clients, while also contributing to South Africa's socio-economic health through investment in infrastructure and development projects. As at 31 January 2020, PIC is the largest shareholder in Resgen with an ownership interest of 14.16%.

Investments are diversified across a number of asset classes including listed equities, real estate, capital markets, private equity and the Isibaya Fund, which promotes investment in projects that contribute to South African Government development objectives. Funds invested are primarily pension, provident, social security and guardian funds.

Further information about PIC is available at www.pic.gov.za.

7.3 Noble

Noble is an independent energy products and industrial raw materials supply chain manager, with headquarters located in Hong Kong. In 2018, Noble de-listed from the Singapore Stock Exchange following a restructure. Noble manages a portfolio of global supply-chains across the energy, metals and mining industries, focused particularly on transforming physical commodities into consumable products. Following Noble's restructure in 2018, its primary focus is on coal, liquefied natural gas, non-ferrous metals and freight. 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 7 January 2020, Noble is the second largest shareholder with a 13.69% interest in Resgen.

Noble has also granted facilities totalling USD$46.9 million to LCL, of which $45.4 has been drawn down to date . Resgen is the guarantor of LCL's obligations under the facility agreement entered into between LCL and Noble. In October 2018, Resgen provided a share pledge over its 74% interest in LCL to Noble as security for its and LCL's obligations to Noble under the facility agreement. Under the term of the Proposed Transaction, this share pledge will be released at Financial Close to allow for the grant of the security required to obtain the Debt Financing.

In April 2013, Noble was appointed as the sole supply chain management and marketing advisor for Boikarabelo for both domestic and export coal sales for a period of 35 years under which it is entitled to marketing fees. Noble has secured offtake agreements for export over the entire period, in addition to domestic offtake agreements for eight years. In December 2017, LCL executed an agreement with Noble for the supply of additional uncontracted coal to be produced from the mine. Resgen has agreed to sell to Noble 1.1 million tonnes of coal per annum for years 1 to 3 and 0.2 million tonnes per annum from years 4 to 35.

8. Economic analysis

In this section we have provided commentary on trends in the Australian and South African economies that we consider are relevant to Resgen.

8.1 Australia

Domestic growth

The Reserve Bank of Australia (**'RBA'**) is expecting Gross Domestic Product **('GDP'**) to gradually increase to around 3.0% in 2021. Growth is anticipated to be supported by increased investment in infrastructure and a pick-up in activity in the resources sector, as mining firms invest to sustain production levels and expand productive capacity. However, there remains some uncertainty around the outlook for household consumption. Continued low growth in household income remains a key risk to the outlook for household consumption, with only modest increases in household disposable income continuing to weigh on consumer spending. However, signs of stabilisation in the Melbourne and Sydney housing market are expected to support spending. The RBA lowered the cash rate to a historic low of 0.75% in October 2019. It remained unchanged at 0.75% for November 2019 and December 2019.

The easing of monetary policy this year is supporting employment and income growth and a return of inflation to the medium-term target of 2.0%. The lower cash rate has put downward pressure on the exchange rate, supporting various industries. Lower mortgage rates are expected to boost household spending.

Inflation

Domestic inflation remains low and suggests subdued inflationary pressures across the economy. The RBA is expecting underlying inflation to be close to 2.0% over 2020 and 2021.

Employment

Strong employment growth has persisted despite a dampening in expectations for GDP growth, with labour force participation at a record level. The unemployment rate has been steady at approximately 5.25% over recent months and is anticipated to remain around this level for some time before declining to just below 5.0% in 2021. The RBA notes that a gradual lift in wage growth would be needed to sustainably lift inflation to within its medium target range of 2.0% to 3.0%.

Currency movements

The Australian dollar is currently at the low end of the narrow range that it has been trading recently. Movements in the Australian dollar tend to be related to developments in commodity prices and interest rate differentials. Since the start of the year, these two forces have been working in offsetting directions, with commodity prices including gold increasing significantly in June 2019 and Australian bond yields declining relative to those in other major markets.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision* 3 December and *Statement on Monetary Policy November 2019*

8.2 South Africa

Domestic growth

In a statement released on 21 November 2019, the South African Reserve Bank's ('**SARB**') Monetary Policy Committee ('**MPC**') revealed that GDP had rebounded to 3.1% in the second quarter of 2019, though weakness in most sectors of the economy remains a concern. Services have remained relatively resilient, assisting with global growth rates. GDP growth for 2019 was forecasted to average 0.5% (revised lower from 0.6%), while forecasts for 2020 and 2021 were also revised slightly lower to 1.4% (from 1.5%) and 1.7% (from 1.8%), respectively.

The risks to this growth forecast were assessed by the MPC to be downside in the near term, with concerns about geo-political risks, further domestic supply constraints and/or sustained higher oil prices and escalation of trade tensions in the longer term. Financing needs across the public sector have increased, potentially placing further pressure on the rand and increasing borrowing costs throughout the economy. The MPC held the repurchase rate unchanged at 6.5% per annum at its meeting in November 2019. The repurchase rate is the rate at which the central bank lends money to commercial banks.

South Africa held general elections in May 2019, seeing the African National Congress ('**ANC**') led by President Cyril Ramaphosa retaining parliamentary majority. The ANC are focussed on attracting investment to stimulate economic performance in a bid to reduce unemployment and address alleged corruption.

Unemployment

The unemployment rate in South Africa continued its upward trend to 27.60% for the first quarter of 2019. The country's statistics department estimated the number of unemployed to be approximately 6.2 million for the same period. Since 2008, the unemployment rate has been consistently above 20% and continues to be one of the major challenges to the country's development.

Inflation

Core inflation as measured by the SARB (which excludes food, fuel and electricity) remained unchanged at 4.0% in October 2019 and in line with market consensus. The SARB forecasted headline inflation is lower at 4.2% in 2019, increasing to 5.1% in 2020 and moderating to 4.7% in 2021, with core inflation expected at 4.2%. 4.5% and 4.6%, respectively. These remain close to the SARB's mid-point of the inflation target range of between 3 and 6%. Inflation and inflation expectations have been trending downwards since 2017, which has helped in achieving these targets.

Currency movements

The MPC opined that since the September 2019 MPC meeting, the rand has depreciated slightly against the USD to ZAR14.94 per USD and 0.6% on a trade weighted basis. Despite improvements in global sentiment aiding the rand, investors remain concerned about domestic growth prospects and fiscal risks. The rand weakened in October 2019, amidst major utility company Eskom Holdings SOC Ltd. implementing power cuts due to maintenance problems.

Source: www.resbank.co.za *Statement of the Monetary Policy Committee* 21 November 2019, and Bloomberg

9. Industry analysis

9.1 Coal

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 a 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 method 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 coking 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.

According to the Economist Intelligence Unit, global coal consumption contracted by 0.2% in 2019 following a strong decline in the US and Europe of 11% and 8%, respectively. Over 2020-21, it is anticipated India will record stronger growth in coal usage together with a number of smaller consumers such as Turkey, Russia and Indonesia. Overall, global coal consumption is expected to marginally decline over the forecast period, reflecting the combination of falls across OECD economies, partially offset by growing industrialising economies.

Global coal production is estimated to have grown by only 0.4% in 2019, weighed down by slower growth in China and India and marginal growth across Australia, Turkey and South Africa. Very marginal growth of 0.1% in 2020-21 is forecast, as a sharper than anticipated fall in the US and weak consumption places a dampener on global production levels.

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 various off-take partners, including Noble, for both export and domestic thermal coal product.

9.2 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. Owing to its low cost and availability, coal's role as a major fuel source for power generation is expected to persist into the future, although its share is expected to decline due to the rise of renewables. BP's 2019 Energy Outlook predicts a declining trend in the use of coal as a fuel for power generation, although it would still have an almost 30% share by 2040, second only to renewables.

China is the world's leading thermal coal producer, accounting for approximately half of global thermal coal production. According to the Department of Industry, Innovation and Science, thermal coal production in China is likely to have grown by approximately 5.0% to 6.0% in 2019. Over the longer term, it is anticipated Chinese thermal coal production will grow more rapidly, supported by more efficient additions to capacity boosting production. Domestic production in India recorded sharp declines in the three months to October 2019 to 39.35 million tonnes against a target of 57.17 million tonnes. Production levels were hindered by local community agitations and unrest, combined with the monsoon season. Output is unlikely to meet ambitious growth targets in 2020-21, though production is likely to recover. In Australia, thermal coal exports are forecast to rise from to 216 million tonnes per annum (**'mtpa'**) in 2021.

Global trade volumes of thermal coal are likely to remain at similar levels to 2019, after total exports experienced an increase of 42.2 million tonnes or 4.1% in 2018. Marginal producers are anticipated to decrease supply throughout 2020 as a result of lower prices. The largest importers of thermal coal in 2019 were China (245 million tonnes) and India (220.6 million tonnes). Europe continued its trend of reducing thermal coal imports with the amount for 2019 decreasing to 151.5 million tonnes from 157.7 million tonnes in 2018.

Countries across the world have exhibited pronounced trends as coal's share of electricity generation has declined across more advanced economies. Government policies have encouraged a transition away from coal as a source of electricity towards natural gas, wind and solar in an effort to limit CO_2 emissions. A number of countries are also increasingly investing in alternative energy sources as well as 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.

There is a broad consensus that the transition to renewable energy resources is vital in achieving a low or zero carbon emissions economy. The Paris Agreement is the world's first universal and legally-binding global climate change agreement that seeks to restrict global average temperatures from rising above 2ºC below pre-industrial levels, and to limit the temperature increase even further to 1.5 ºC. This deal aims to instigate changes in the global energy mix, including an impact on the role of thermal coal as a fuel source Under the Paris Agreement, Australia has committed to reduce its carbon emissions by between 26% to 28% below 2005 levels by 2030. Canada, Quebec and Manitoba have capitalised on their strength in hydropower with electricity systems near 100% non-carbon emitting.

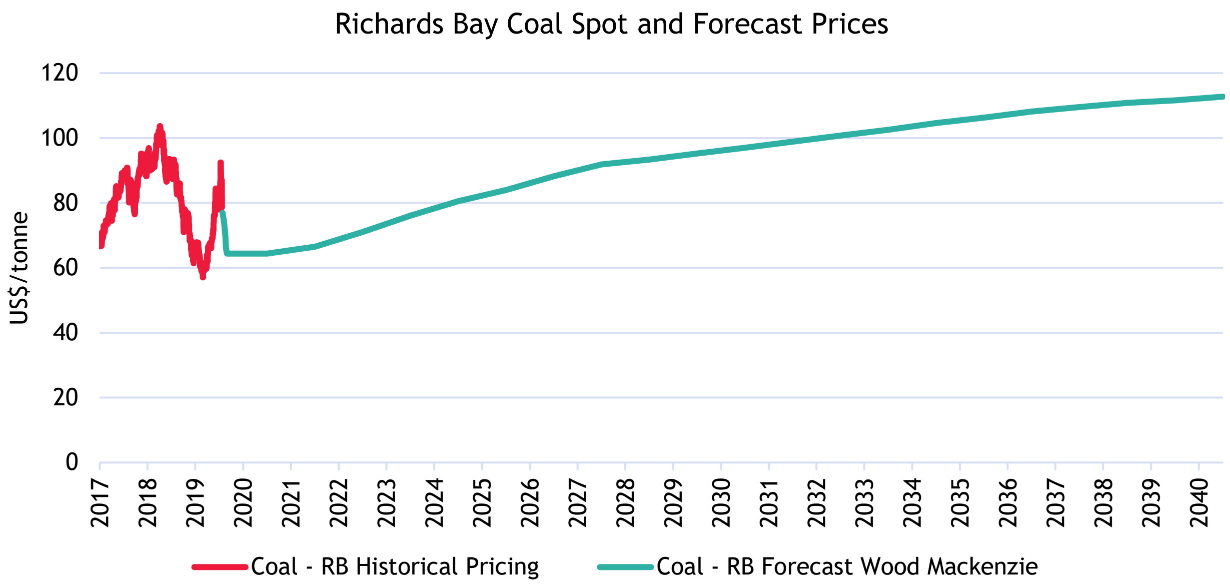
Over the next 20 years, the outlook supports an increase in global energy demand to be met by renewable energy sources and account for a larger share of electricity. Renewable energy is the fastest growing source of energy, with its share in primary energy forecast to increase from 4% in 2019 to 15% in 2040. The uptake of renewables will be supported by changes in technologies and an increase in government policies targeting the reduction of the carbon intensity of electricity generation. In turn, this trend will likely weigh on coal export volumes and prices, and coal plants will become less viable and tend to be shut down earlier.

Source: BP 2019 Energy Outlook, the International Energy Agency Coal Information Overview 2019, Department of Industry Innovation and Science Resources and Energy Quarterly December 2019, World Commodity Forecasts Industrial Raw Materials January 2020

9.3 Coal Prices

The Richards Bay (**'RB'**) spot price is the benchmark price reference for thermal coal exported from the RB Coal Terminal in South Africa. The standard specification for RB1 thermal coal is 6,000kcal/kg net calorific value at total moisture (as received basis) of 12% maximum, 1% sulphur maximum and 15% ash maximum.

The figure below illustrates the historical fluctuations in the RB spot price from July 2017 to January 2020, and Wood Mackenzie ('**WoodMac**') forecasts through to July 2040.



Source: Capital IQ and WoodMac forecasts

Thermal coal prices increased sharply from mid-July 2017 through February 2018, driven by strong import demand from Asia and industrial action against Pacific National, a coal hauler based in New South Wales, Australia. Despite falling in March 2018, thermal coal prices recovered throughout April and June 2018 buoyed by strong seasonal demand from Asia and constrained supply.

Weak global demand for imports in many traditional markets placed downward pressure on the thermal coal price throughout much of 2019, although steadied toward September 2019 aided by supply cuts from the US, Colombia and Indonesia. Stockpiles at the RB Coal Terminal increased by approximately 650,000 tonnes during the first week of September 2019 to more than 4.6 million tonnes, on the back of reduced vessel loadings.

The RB spot price began to surge unexpectedly in October 2019, substantially deviating from coal prices around the world that had marginally decreased on the back of reduced import demand from China, India and Europe. The RB spot price defied market fundamentals as it strengthened without increased demand or supply shock for exports.

Developments in China's import policies and domestic coal markets are likely to drive volatility in thermal coal imports and prices over the forecast period, though production cuts stemming from American high-producers will act to tighten the market. Slower global economic global growth in 2020-2021 will impact price sentiment and weigh on the coal commodity market. Over the long term, South Africa's major coal export destinations are projected to transition away from coal to renewable sources.

9.4 South African Coal Industry

South Africa is the seventh largest producer and the fifth largest exporter of thermal coal globally. It is known for its high quality bituminous coals with high energy and low sulphur content. Of late, South Africa's coal exporters have directed supplies towards the domestic market, amid weaker demand from India, softer export prices and higher domestic prices. Approximately one third of all coal produced in

South Africa is exported, primarily through the Richards Bay Coal Terminal, the largest coal export terminal in Africa. Key export markets for South African coal include India, Pakistan and the Netherlands.

At present, coal production in South Africa is largely concentrated in the Mpumalanga region. However, the Waterberg coal field in Limpopo where the Boikarabelo Project is located, is the focus of recent exploration efforts. The Boikarabelo Project area has the potential to become a major coal field in the future, to replace the almost depleted Witbank field, which at present accounts for 40% of South Africa's coal production. According to some estimates, the largely undeveloped Waterberg coal field may hold up to 40% of the national reserve. South Africa's coal deposits are relatively shallow with thick seams, making them some of the easiest and cheapest in the world to mine. Approximately 49% of production in South Africa occurs through open-pit mining while the rest is done underground. The major producers like Anglo Coal, South32, Glencore Coal South Africa and Sasol Mining dominate the country's total production, with junior coal producers making up the rest.

The South African domestic market for thermal coal is primarily used 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's NDP 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. Approximately 75% to 80% of electricity supplied by Eskom stems from coal-fired power stations. As a supplier of electricity, Eskom is in the top ten largest power utilities in terms of generating capacity and generates approximately 90% of the electricity used in South Africa and a lesser amount to other African countries. Recently, Eskom has experienced financial difficulties. In July 2019, the South African Government announced a further ZAR59 billion in bailout funds for Eskom, months after it had committed a total assistance package of ZAR230 billion over ten years. The largest challenge facing the South African coal industry is a lack of investment in new projects and port infrastructure. Eskom is seen as the largest threat to the stability of the South African economy, as power cuts have significantly hindered the economy by restricting mining activity, among the heaviest users of electricity, and factory output. Moody's Investors Services downgraded Eskom's long term corporate family rating and zero coupon eurobonds to B2 from B3 in November 2019 amidst rising concerns weak economic growth could lead to further deterioration in public finances.

South Africa's thermal coal production grew strongly in 2019, despite community and union protests causing disruptions. A relatively tight domestic market permitted miners to divert sales away from weaker seaborne export markets. South Africa's 2019 elections highlighted some of the long-standing challenges the country faces, with the ANC now committed to rebuilding the foundations of the economy by investing in the productive sectors. The ANC is committed to make reforming Eskom a priority, by restructuring and a ZAR23 billion a year bailout over the next three years.

Source: South African Government Department of Energy, Bloomberg, Australian Government Department of Industry, Innovation, Science Resources and Energy Quarterly December 2019, Reuters and Bloomberg

10. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (‘**FME**’)
- Discounted cash flow (‘**DCF**’)
- Quoted market price basis (‘**QMP**’)
- Net asset value (‘**NAV**’)
- Market based assessment (such as a resource multiple)

A summary of each of these methodologies is outlined in Appendix 2.

10.1 Valuation approach prior to the Proposed Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our consideration of the Proposed Transaction we have focused on the value of Resgen’s interest in LCL, and not considered the value of Resgen as a whole. We have adopted this approach because the Proposed Transaction will only impact the value of Resgen’s interest in LCL, the value of the other assets and liabilities of Resgen will remain unchanged as a result of the Proposed Transaction.

We have therefore chosen to consider the relative value of Resgen’s 74% interest in LCL prior to the Proposed Transaction, and Resgen’s 51% interest in LCL following the Proposed Transaction, to determine our opinion on the fairness of the Proposed Transaction.

In our assessment of the value of Resgen’s interest in LCL prior to the Proposed Transaction we have chosen to employ the following methodologies:

- NAV on a going concern basis. In valuing LCL’s mineral assets as part of our NAV valuation, we have relied on an independent specialist’s valuation on the market value of the Boikarabelo Coal Project, on the basis of the project being sold as-is, without being developed, which was prepared by SRK Consulting (Australasia) Pty Ltd (‘**SRK**’). The value derived under the NAV methodology reflects a control value.

  We have relied on SRK’s valuation of the Project on an undeveloped basis, as this represents the value to Shareholders prior to the Proposed Transaction as the Proposed Transaction relates to the funding of the Project and without this funding LCL will not be able to develop the Project.

  We are satisfied with the valuation methodologies adopted by SRK, which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code. The specific valuation methodologies used by SRK are referred to in the respective sections of our Report and in further detail in the Independent Technical Assessment and Valuation Report contained in Appendix 4.

We have chosen this methodology for the following reasons:

- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. The FME methodology is also not considered appropriate for valuing finite life assets such as mining assets; and

- As LCL is an unlisted subsidiary of Resgen, we are unable to employ the QMP methodology.
- We have not used the DCF valuation methodology to arrive at a value for the Project prior to the Proposed Transaction, as the DCF value incorporates funding cash flows and therefore represents the value of the Project on a funded basis, however the Project will not be funded prior to the Proposed Transaction and we do not consider there to be a reasonable alternative to source funding other than under the Proposed Transaction.

Pursuant to RG 111.65, we note that the expert should consider more than one methodology to reduce the risk of the expert's opinion being distorted by its choice of methodology. The majority of the value of LCL comprises its mineral assets. SRK has adopted two methodologies, being the comparative transaction methodology and the yardstick methodology in its assessment of the valuation of the mineral assets of the Company, with the value assessed under both methodologies being comparable.

10.2 Valuation approach following the Proposed Transaction

In our assessment of the value of LCL, and Resgen's interest in LCL, following the Proposed Transaction, we have chosen to apply the sum-of-parts methodology, which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated using the NAV methodology. The value derived from this methodology reflects a control value.

We have employed the Sum-of-Parts method in estimating the fair market value of LCL by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- Value of the JORC Code (2012) Coal Reserve at the Boikarabelo Project, applying the DCF methodology;
- Value of the Coal Resources at the Boikarabelo Project, placing reliance on the valuation carried out by SRK; and
- Value of LCL's other assets and liabilities, applying the cost approach under the NAV.

We have chosen these methodologies for the following reasons:

- LCL's mineral assets comprise the Boikarabelo Project, therefore its value lies in the future cash flows to be generated from the operations at the Project. Resgen has prepared a cash flow model ('**Model**') incorporating the JORC compliant Coal Reserves of 267Mt;
- Cash flows from Boikarabelo have a finite life and may vary substantially from year to year, rendering it suitable for a DCF valuation;
- The residual Coal Resources at the Boikarabelo Project, not included in the DCF, are valued using alternative valuation methodologies by SRK as contained in the report in Appendix 4.
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. The FME methodology is also not considered appropriate for valuing finite life assets such as mining assets.

Technical Expert

In performing our valuation of the Coal Reserves at the Boikarabelo Project using the DCF method, we have relied on the Independent Technical Assessment and Valuation Report prepared by SRK, including SRK's review of the technical project assumptions contained in the Model. We have also relied on SRK's valuation of the Coal Resources and Coal Reserves not included in the DCF valuation, which is included in the Independent Technical Assessment and Valuation Report.

We are satisfied with the valuation methodologies adopted by SRK, which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code. The specific valuation methodologies used by SRK are referred to in the respective sections of our Report and in further detail in the Independent Technical Assessment and Valuation Report contained in Appendix 4.

10.3 The Security Component

Under the Security Component, we have assessed how the value of the proceeds of the sale of the secured assets that would be provided to PIC and/or Noble to secure the repayment of monies owed under the Security Component, in the event of a beach or default, compares to the value of the liabilities that would be settled.

In the case of the Security Component, the value of the financial benefit to be provided by Resgen to the substantial holder, PIC and/or Noble, is the value of the proceeds of the sale of the secured assets that would be provided as settlement of amounts payable to PIC and/or Noble in the event of a breach or default (‘**Security Provided**’).

The value of the consideration being provided to Resgen is the amounts payable to PIC and/or Noble that would be settled by the sale of the secured assets (‘**Liabilities Settled**’).

The Security Component is fair if the value of the Security Provided to PIC and/or Noble is equal to or less than the value of the Liabilities Settled by this security in the event of breach or default.

11. Valuation of Resgen's interest in LCL prior to the Proposed Transaction

11.1 Net Asset Valuation

Prior to the Proposed Transaction, Resgen holds a 74% interest in LCL. In order to arrive at the value of this interest we have considered the value of LCL on a NAV basis.

LCL's other assets and liabilities	Notes	Audited as at 30-Jun-19 ZAR	Adjusted NAV Low ZAR	Adjusted NAV High ZAR
CURRENT ASSETS				
Cash and cash equivalents	a	11,830,623	3,135,392	3,135,392
Receivables	b	1,936,708	2,374,503	2,374,503
Related party loans	c	71,207	57,522	57,522
TOTAL CURRENT ASSETS		**13,838,538**	**5,567,416**	**5,567,416**
NON-CURRENT ASSETS				
Deposits		12,785,716	12,785,716	12,785,716
Property, plant and equipment	d	8,726,897	8,262,334	8,262,334
Mining tenements and development	e	1,462,644,381	1,450,000,000	4,364,500,000
TOTAL NON-CURRENT ASSETS		**1,484,156,994**	**1,471,048,050**	**4,385,548,050**
TOTAL ASSETS		**1,497,995,532**	**1,476,615,466**	**4,391,115,466**
CURRENT LIABILITIES				
Creditors	f	36,544,413	41,963,267	41,963,267
Provisions	g	1,409,404	1,455,053	1,455,053
Loans	h	206,581,263	102,786,620	102,786,620
Related party loans	i	537,586,242	537,773,345	537,773,345
TOTAL CURRENT LIABILITIES		**782,121,322**	**683,978,285**	**683,978,285**
NON-CURRENT LIABILITIES				
Loans	h	652,877,753	850,628,510	850,628,510
Provisions		39,845,378	39,845,378	39,845,378
TOTAL NON-CURRENT LIABILITIES		**692,723,131**	**890,473,889**	**890,473,889**
TOTAL LIABILITIES		**1,474,844,453**	**1,574,452,173**	**1,574,452,173**
NET ASSETS		**23,151,079**	**(97,836,707)**	**2,816,663,293**

Source: Audited financial statements of LCL for the year ended 30 June 2019, management accounts for the period ended 30 November 2019 and BDO analysis

We have not undertaken a review of LCL's management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We have not made adjustments to the balances in the audited accounts apart from the adjustments detailed below. Where the above balances differ materially from the audited position at 30 June 2019, we have obtained supporting documentation to validate the adjusted values used, which provides reasonable grounds for reliance on the unaudited financial information.

Note a) Cash and cash equivalents

We have adjusted the cash position at 30 June 2019 to reflect the actual cash balance at 30 November 2019 according to the company's management accounts. We have verified the cash position against LCL's bank statements.

Note b) Receivables

Receivables, which largely comprises prepayments, has been adjusted to reflect the balance as at 30 November 2019.

Note c) Related party loans (LCL as lender)

LCL's loans to related parties of ZAR71,207 as at 30 June 2019 were reduced slightly as at 30 November 2019. We note that the movement in value between the 30 June 2019 audited figure and the 30 November 2019 unaudited figure does not have a material impact on our valuation conclusions reached, therefore we have used the latest position available at 30 November 2019.

Note d) Property, plant and equipment

Property, plant and equipment comprises non-mining related assets. We have adjusted this balance at 30 June 2019 to reflect the actual balance at 30 November 2019. The movement over the period 30 June 2019 to 30 November 2019 is the result of depreciation, as shown in the table below. We have no reason to consider that the market value of these assets differs materially from their carrying value:

Property, plant and equipment	Land ZAR	Buildings ZAR	Office Equipment ZAR	Computer Software ZAR	Plant & Equipment ZAR	Motor Vehicles ZAR	Total ZAR
Opening balance as at 30 June 2019	4,763,483	2,331,601	98,161	316,573	783,100	433,979	8,726,898
Less: Depreciation	-	(61,474)	(27,087)	(259,388)	(24,164)	(92,451)	(464,564)
Closing balance as at 30 November 2019	**4,763,483**	**2,270,127**	**71,074**	**57,185**	**758,936**	**341,528**	**8,262,334**

Source: Management accounts for the period ended 30 November 2019

Note e) Mining tenements and development

The book value of mining tenements and development relates to capitalised historical expenditure. We have adjusted this balance to reflect the value of LCL's mineral assets provided by SRK on a low, preferred and high basis.

We instructed SRK to provide an independent market valuation of the mineral assets of the Project on the basis of the Project as it currently stands, without being developed. SRK considered a number of different valuation methods, and applied the comparable transaction method as its primary valuation methodology. SRK also considered the Yardstick method as a cross check on its valuation. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of Coal Resource or the size of a tenement. We consider this method to be appropriate given the pre-development stage of the Project. Under the Yardstick method, specified percentages of the spot price, based on the JORC classification, are used to assess the likely value.

The range of values for LCL's Mineral assets as calculated by SRK is set out below:

Mineral Asset	Low Value US$m	Preferred Value US$m	High Value US$m
Boikarabelo JORC Code (2012) Coal Resources considered in the Model and on an undeveloped basis	35	75	114
Boikarabelo JORC Code (2012) Coal Resources not considered in the Model and on an undeveloped basis	35	75	114
Boikarabelo JORC Code (2004) Coal Resources (Inferred)	30	52	73
Total	**100**	**201**	**301**

Source: Independent Technical Assessment and Valuation Report prepared by SRK

The above values are denominated in USD. We have converted the values to ZAR at a rate of USD:ZAR 14.50 as at 21 January 2020, resulting in the values below:

Mineral Asset	Low Value ZARm	Preferred Value ZARm	High Value ZARm
Boikarabelo JORC Code (2012) Coal Resources considered in the Model and on an undeveloped basis	508	1,088	1,653
Boikarabelo JORC Code (2012) Coal Resources not considered in the Model and on an undeveloped basis	508	1,088	1,653
Boikarabelo JORC Code (2004) Coal Resources (Inferred)	435	740	1,059
Total	**1,450**	**2,915**	**4,365**

Source: Independent Technical Assessment and Valuation Report prepared by SRK

The table above indicates a range of values between ZAR1,450 million and ZAR4,365 with a preferred value of ZAR2,915 million.

With regards to SRK's valuation, we note that:

- Its valuation range was based on three comparable market transactions only as SRK found there to be a relative paucity of comparable market transactions;
- The preferred valuation is a midpoint of the low and high values; and
- In its report, SRK considers that the Coal Resource to Coal Reserve conversion to be a low technical risk, but a high commercial risk given the current domestic coal price environment in South Africa and the prevailing coal export market sentiment.

In light of the above, we consider SRK's high valuation of LCL's mineral assets to be less likely to be achievable, with the low to mid value range more likely instead.

Note f) Creditors

We have adjusted the creditors' balance at 30 June 2019 to reflect the creditors' balance in LCL's management accounts at 30 November 2019.

Note g) Current provisions

The current provisions line item relates to annual leave accruals and other payroll provisions. We note that the movement in value between 30 June 2019 and 30 November 2019 does not have a material impact on our valuation conclusions reached, therefore we have used the latest position available at 30 November 2019.

Note h) Loans

Loans at 30 June 2019 comprised the current and non-current portions of the EHL Loan and the Noble Facility. We have adjusted the loans balance at 30 June 2019 to reflect the loans balance at 30 November 2019, including the repayment of the remaining balance of the EHL Loan subsequent to 30 June 2019. We have verified the loans balance at 30 November 2019 against supporting documentation provided by Management. The movements in loans over the period 30 June 2019 to 30 November 2019 is set out in the table below:

Current and non-current loans	ZAR
Opening balance at 30 June 2019	859,459,016
Repayment of EHL loan	(5,247,006)
Interest on Noble Facility	41,484,138
Draw down on Noble Facility	22,272,082
Unrealised foreign exchange movement on Noble Facility	35,456,900
Closing balance at 30 November 2019	**953,425,130**

Source: Management accounts for the period ended 30 November 2019

Note i) Related party loans (LCL as borrower)

Subsequent to 30 June 2019, the Company received an additional intercompany loan from Resgen South Africa to the value of ZAR187,103. Related party loans has been adjusted to reflect the balances as at 30 November 2019, which we have verified against supporting documentation provided by management.

Conclusion on value of Resgen's interest in LCL prior to the Proposed Transaction

LCL's adjusted net assets in the table above are shown on a 100% basis. We have adjusted this to reflect Resgen's 74% interest in LCL prior to the Proposed Transaction below on a pro-rata basis, noting that LCL's negative assets will be worth nil to Resgen:

	Low Value ZAR million	High Value ZAR million
Net assets value of LCL prior to the Proposed Transaction (100% basis)	(98)	2,817
Net assets value of LCL prior to the Proposed Transaction (74% basis)	Nil	2,084

Source: BDO analysis

Based on the above analysis, our value for Resgen's 74% interest in LCL prior to the Proposed Transaction is in the range of nil to ZAR2.08 billion.

12. Valuation of Resgen's interest in LCL following the Proposed Transaction

12.1 Sum of Parts

We have employed the Sum-of-Parts methodology in estimating the fair market value of LCL on a control basis following the Proposed Transaction, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration of the following:

- DCF value of the Project's Coal Reserves included in the Adjusted Model;
- Value of LCL's other mineral assets and exploration properties; and
- Value of LCL's other assets and liabilities.

Our Sum-of-Parts valuation is set out in the table below:

Valuation of Resgen's interest in LCL following the Proposed Transaction	Ref	Low ZAR million	High ZAR million
DCF value of the Project's Coal Reserves included in the Adjusted Model	12.1.1	500	2,500
Value of LCL's other mineral assets and exploration properties not included in the Adjusted Model	12.1.2	943	2,712
Value of LCL's other assets and liabilities	12.1.3	(57)	(57)
Value of LCL following the Proposed Transaction (control basis)		1,386	5,155
Value of Resgen's 51% interest in LCL following the Proposed Transaction (control basis)		**707**	**2,629**

Source: BDO analysis

We have assessed the value of Resgen's 51% interest in LCL following the Proposed Transaction on a control basis, to be in the range of R707 million to R2.63 billion.

However, as discussed in Section 12.1.1 below, the DCF value component in the table above is highly sensitive to the macroeconomic assumptions used, and there is a real risk in being able to realise this value, particularly toward the low end of our value range. This risk may be mitigated by access to short term funding facilities which are over and above those offered under the Proposed Transaction. The exception to this is over the higher end of our value range which does not exhibit a funding shortfall. We have taken this into consideration in our fairness assessment in Section 13.

12.1.1. DCF value of the Project's Coal Reserves included in the Model

12.1.1.1 Future Cash Flows

The management of Resgen has provided a detailed cash flow model for the Boikarabelo Project. The Model estimates the future cash flows expected from coal production at the Project based on determined JORC compliant Coal Reserves only. Of LCL's approximately 267.1 Mt of Coal Reserves, only 133.1 Mt are considered over the Model's approximately 23-year forecast period, of which 21 years have production following a two year development period. Therefore, the DCF value of the Project considered in the Model represents the value of approximately half of LCL's Coal Reserves. We have considered the remaining Coal Reserves not included in the Model separately, using SRK's valuation. The Model forecasts nominal post-tax cash flows over the life of the mine on a monthly basis, in ZAR terms.

We have reviewed the Model and the material assumptions that underpin it. BDO has made certain adjustments to the Model where considered appropriate to arrive at an adjusted model ('**the Adjusted Model**'). We have used the Adjusted Model in our DCF valuation. In particular, we have adjusted the Model to reflect any changes to technical assumptions together with operating and capital costs as a result of SRK's review and any changes to the economic and other input assumptions from our research.

The Model was prepared based on estimates of a production profile, operating costs, construction and sustaining expenditure. The main assumptions underlying the Model include:

- Mining and production volumes;
- Commodity prices;
- Operating costs including processing and transportation costs;
- Construction and sustaining capital expenditure;
- Corporate level costs;
- Foreign exchange rates;
- Inflation rates;
- Royalties and corporate tax;
- Debt related drawdowns and payments; and
- Discount rate.

We undertook the following analysis of the Model:

- Appointed SRK as technical expert to review and, where required, provide suggested changes to the technical assumptions underlying the Model;
- Conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, inflation and the discount rate applicable to the future cash flows of the Project;
- Held discussions with Resgen's management regarding the preparation of the forecasts in the Model and its views; and
- Performed a sensitivity analysis on the value of the Project by flexing selected key assumptions and inputs.

We have not undertaken a review of the cash flow forecasts in accordance with the Standard on Assurance Engagements ASAE 3450 'Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted Model has been based have not been prepared on a reasonable basis.

It is important to note that the DCF valuation of the Project includes the drawdowns and repayments associated with the Debt Financing contemplated in the Proposed Transaction, as well as the Ramp-up Capital Facility and New Shareholder Loans:

- Senior Debt Facilities – ZAR 2,340,000,000;
- Mezzanine Debt Facilities – ZAR 1,630,000,000;

- New Shareholder Loans – ZAR 230,000,000; and
- Ramp-Up Capital Facility – ZAR 550,000,000.

Therefore, the economic impact of these borrowings is already included in the DCF value of the Project. The funding for the Project Rail Link is considered outside of the Model, although the economic impact of the rail link on LCL is included in the Model as tariff payments to, and subsequent distributions from, the SPV.

At the time the Model was provided to BDO, a Financial Close date of 31 March 2020 was expected and this was used as the basis for our analysis in the Adjusted Model as well. Since then, the targeted Financial Close date has been revised to 30 April 2020. However, we do not expect this one month delay to the Financial Close date to have a material impact on our valuation outlined below.

Appointment of a technical expert

SRK was engaged to prepare a report providing a technical assessment of the assumptions underlying the Model. SRK's assessment involved the review and provision of opinion on the reasonableness of the assumptions adopted in the Model, including but not limited to:

- Mining physicals (including volume mined and waste movement);
- Processing assumptions (including yields and product types);
- Operating costs (comprising pit costs, CHPP costs and rehabilitation provision);
- Capital costs (including processing and infrastructure initial and sustaining costs); and
- Other relevant assumptions.

A copy of SRK's Independent Technical Assessment and Valuation Report is included in Appendix 4.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Model, as it is often the case with some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Assumptions

Economic assumptions

Inflation

We note that the model applies inflation to the cost inputs which are specified on a real basis. Therefore, we have specified a forecast inflation rate in the Model to convert these costs into nominal terms.

The Boikarabelo Project is situated in South Africa, and as such the majority of the capital expenditure and operating costs are denominated in ZAR. However, there are also some costs, such as a portion of capital expenditure, which is denominated in USD and AUD terms. Therefore, we have applied inflation rates consistent with the currency the assumed real costs are denominated in (e.g. South African inflation for ZAR denominated costs).

Having regard to the above, we consider the application of the following South African, United States, European and Australian inflation rates to be appropriate. The inflation rates adopted are based on consensus views of forecast inflation as sourced from Bloomberg.

Inflation Rates	CY 2020	CY 2021	CY 2022+
South Africa	4.8%	4.8%	4.8%
United States	2.1%	2.1%	2.1%
Europe	1.2%	1.3%	1.3%
Australia	1.9%	2.1%	2.1%

Source: Bloomberg and BDO analysis.

Although the Model supports the specification of different inflation rates for the various costs such as fuel, transport, labour and others, we have applied a single inflation rate across each cost component, based on the currency the costs are specified in.

Foreign exchange

The export coal prices in the Model are denominated in USD. The capital and operating expenditure is denominated in a combination of ZAR, USD, EUR and AUD. However, the EUR and AUD expense components only apply up to 2022 and thereafter all costs are in USD or ZAR terms only. The Model converts all cash flows into ZAR terms, therefore requiring assumptions on the ZAR foreign exchange rate pair against these other currencies. We have applied the following forecast exchange rates in the Adjusted Model.

Exchange rates	CY2020	CY2021	CY2022	CY2023	CY2024
USD:ZAR	14.79	14.50	15.00	15.80	16.36
EUR:ZAR	16.75	17.52	18.13	n/a	n/a
AUD:ZAR	10.20	10.60	10.95	n/a	n/a

Exchange rates	CY2025	CY2026	CY2027	CY2028	CY2029	CY2030
USD:ZAR	16.97	17.65	18.35	19.27	20.24	21.25

Source: Bloomberg, bank forecasts and BDO analysis

In our assessment of foreign exchange rates, we have considered forecasts prepared by bank and economic analysts and other publicly available information including broker consensus to arrive at our foreign exchange rate assumptions.

In addition, as there is a notable inflation differential forecasted between the economies of these currency pairs, where required we have adjusted the long term exchange rates to account for this, in order to maintain purchasing power parity. After 2030, the USD:ZAR is assumed to increase in line with the difference in long term inflation rates between the United States' inflation rate, to South Africa's inflation rate. This inflation differential is approximately 2.7%.

JIBAR

The JIBAR is used as the base rate for calculating interest on the Senior and Mezzanine Debt Facilities. We have relied on bank forecasts of the JIBAR for 2020 and 2021 (both 6.90%), being the furthest forecasted year available. Consistent with our flat South African inflation assumptions, we have also assumed no change to the JIBAR for the remainder of the forecast period, resulting in a JIBAR of 6.90% throughout.

Coal Pricing

Coal prices for the export coal and domestic coal produced are based on long-term contracts entered into by LCL and various offtake partners. For export coal, the contracted price is based on the price of the API4 Argus McCloskey Index for 6,000 Net Calorific Value (As Received) Richards Bay Coal. Discounts are then applied to this benchmark export coal price based on the individual agreements of the various offtake partners to adjust for quality. For domestic coal, the contracted price is based on LCL's domestic off-take agreement with Noble.

In assessing forecast benchmark export coal prices, we have considered pricing from a number of industry analysts and have adopted forecast pricing estimates sourced from WoodMac. We consider the WoodMac forecasts to be the most suitable since they are specifically for FOB Richards Bay thermal coal, which requires minimal adjustment to reflect the coal produced at Boikarabelo, they are from a highly respected industry participant and they extend through to 2040.

The forecast prices that we have adopted are shown below (in nominal terms):

	2020	2021	2022	2023	2024	2025
Benchmark export coal price (US$/t)	64.38	66.48	71.09	76.08	80.50	83.93

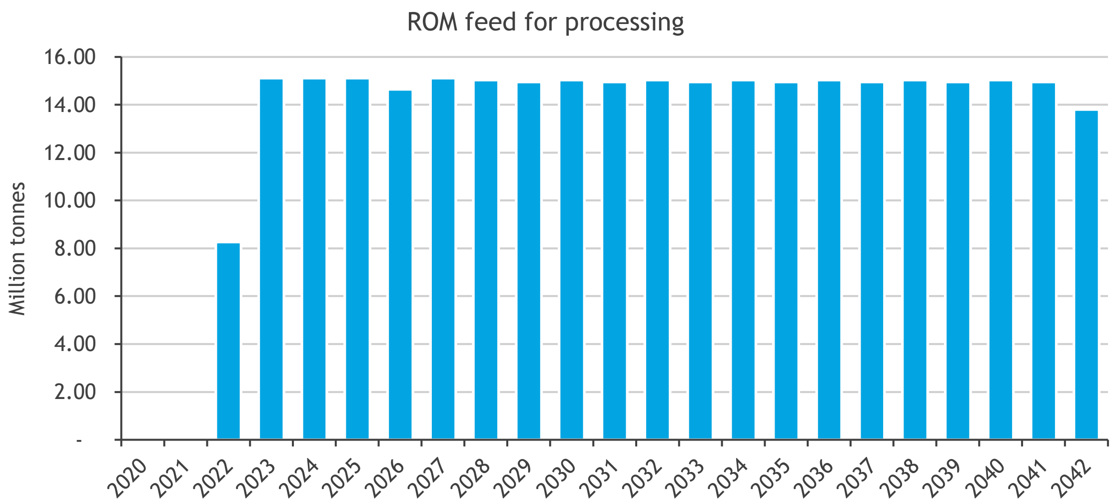
	2030	2035	2040
Benchmark export coal price (US$/t)	97.03	106.32	112.74

Source: WoodMac forecasts

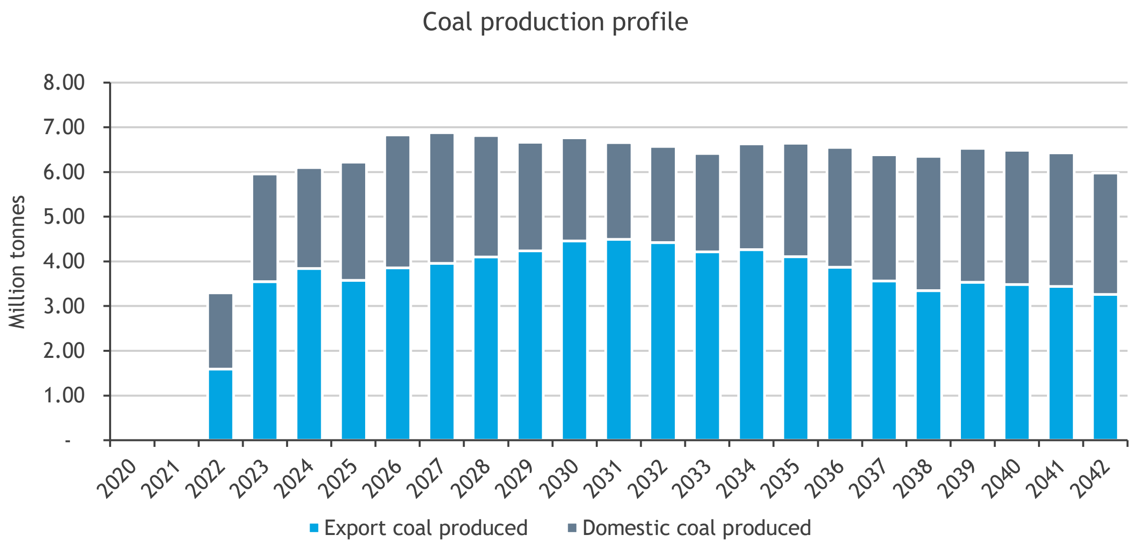
The resultant export coal price we have relied on from our review of WoodMac's forecasts outlines long-term nominal prices for the period to 2040. We have applied the US long-term inflation rate of 2.1% per annum (outlined above) to prices beyond 2040.

Mining physicals and production assumptions

The graphs below show the forecast coal to be mined and processed over forecast period contemplated in the Adjusted Model, with production commencing in 2022. The periods in the charts below are in calendar years.



Source: Adjusted Model, BDO analysis



Source: Adjusted Model, BDO analysis

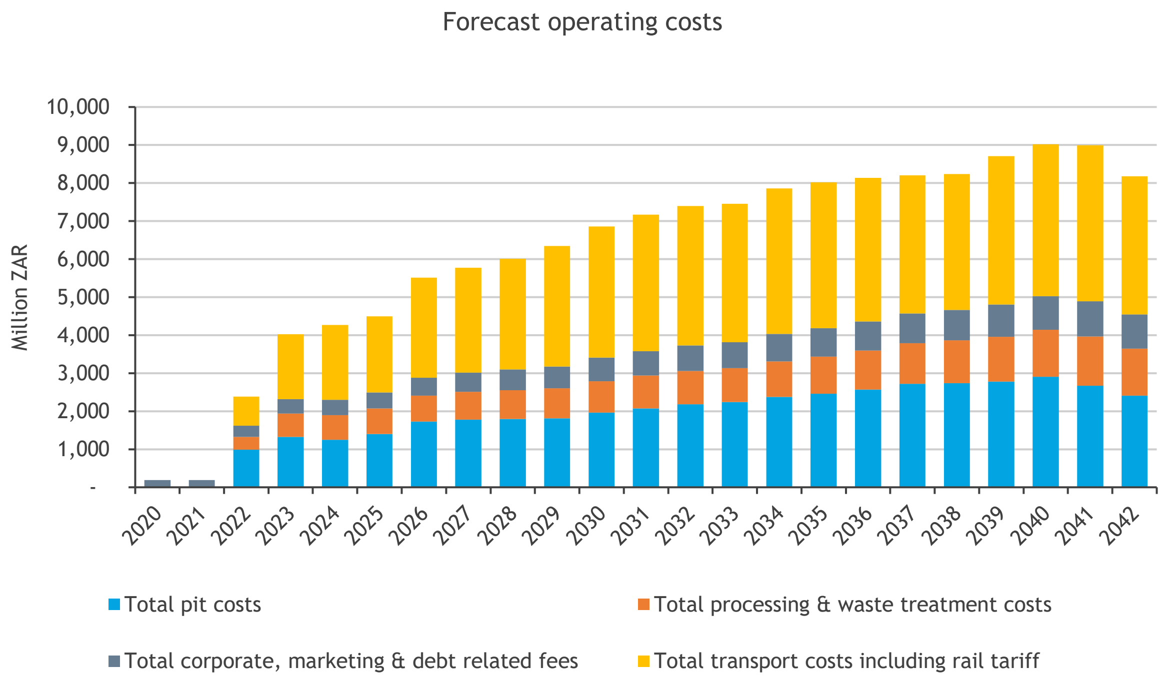
As illustrated in the graphs above, the Adjusted Model accounts for the first 21 years of production based on a throughput rate of approximately 15 Mtpa, producing between 6 Mtpa and 7 Mtpa of coal to the domestic and export markets.

Operating costs

The operating costs modelled in the Adjusted Model include pit costs, processing and waste treatment costs, transport costs including the rail tariff, corporate, marketing and other debt related costs. In preparing the Adjusted Model, we have applied our inflation assumptions to these forecast operating costs. SRK has confirmed the reasonableness of the forecast operating cost assumptions based on its recent technical work conducted at the Project and experience working on similar projects in similar jurisdictions.

Transport costs in the Model account for the construction and operation of the Project Rail Link connecting the Project to the Transnet main line. For export coal, transport costs also include the cost of railing coal over the Transnet main line, port handling and ship loading. For all coal, transport costs also includes rail siding and logistics management. Although the funding for the Project Rail Link of approximately ZAR750 million is still being negotiated, the associated debt facility is ring-fenced to the SPV and as such has no security over LCL's assets. The economic impact of the rail link on LCL is included in the Model as tariff payments to, and subsequent distributions from, the SPV. We have considered LCL's residual value of its 49.9% interest in the SPV at the end of the forecast period to be immaterial, and therefore have not included it in our valuation.

The forecast nominal operating costs for the Project are illustrated in the chart below. The periods in the chart are in calendar years.



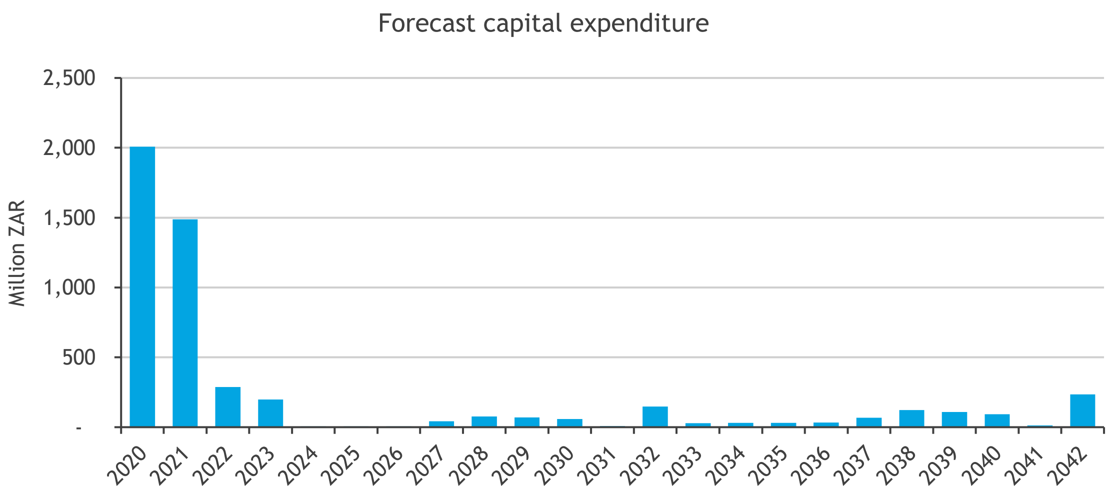
Source: Adjusted Model, BDO analysis

We note operating costs increase significantly from 2022 onwards, in line with the start of mining and production activities at the Project. There is also a gradual increase in the forecast operating costs driven by inflation as well as slightly higher variable pit costs incurred toward the latter years.

Capital expenditure

The Project is forecast to require capital expenditure (initial and sustaining) of approximately ZAR5.3 billion in nominal terms over the forecast period in the Model. The bulk of the capital expenditure relates to the CHPP and civil and infrastructure construction works.

The forecast total capital expenditure, in nominal terms, is set out in the graph below.



Source: Adjusted Model, BDO analysis

Note the significant capital expenditure forecast for 2020 and 2021 relates primarily to the construction of the CHPP as well as civil and infrastructure works. The CHPP is forecast for construction in 2020 and subsequently brought online in 2022.

SRK also recommended a contingency allowance of 10% on the civil and infrastructure component of capital expenditure requirements. We have included a 5% contingency allowance in our base case and considered the impact of the full 10% contingency allowance under the section on sensitivity analysis below.

Royalties

LCL is liable to pay government royalties of between 0.5% and 7% levied on the Project's unrefined coal products as stipulated in South Africa's Mineral and Petroleum Resources Royalties Act (2008). Further details are provided in SRK's Independent Technical Assessment and Valuation Report. In addition, a royalty based on the amount of coal extracted and sold is payable to former owners of the tenements (up to a limit of approximately ZAR20.68 million, once the impact of Resgen's dilution in LCL is accounted for following the Proposed Transaction).

Taxation

Taxation has been applied at the notional rate of 28% which represents the current corporate tax rate for companies operating in South Africa. We note that we have accounted for carried forward tax losses in the Adjusted Model to the value of approximately R1.63 billion, the carried forward tax losses balance last reported in the audited financial statements of LCL for the year ended 30 June 2019.

Closure costs

No rehabilitation costs are included in the Model as the Model only contemplates the first 23 years of the life of mine. However, SRK considers that the rehabilitation provision on Resgen's balance sheet of A$2.4 million which relate to the Project is reasonable. We have therefore accounted for closure costs by adopting this value which is also on LCL's balance sheet and included in our valuation of LCL's Other Assets and Liabilities in Section 12.1.3 below.

Discount Rate

In our assessment of an appropriate discount rate to apply to the cash flows of the Project, we consider the most appropriate discount rate to be LCL's cost of equity on a post-tax basis. The Adjusted Model forecasts free cash flows after the repayment of debt including principal and interest payments, which are the cash flows available to equity holders (in ZAR terms). We have discounted these post-financing cash flows to a net present value using the cost of equity, in order to determine the DCF value of the Coal Reserves included in the Model.

We have selected a nominal cost of equity in the range of 17.2% to 19.7% per annum to discount the cash flows in the Adjusted Model to their present value. We have used a rounded midpoint discount rate of 18% in our base case.

In selecting this range of discount rates, we have considered the following:

- the rate of return for comparable mining companies; and
- the risk profile of LCL as compared to the comparable companies identified.

A detailed consideration of how we arrived at our adopted discount rate range is shown in Appendix 3.

Sensitivity analysis

Our DCF value of Coal Reserves included in the Adjusted Model is sensitive to changes in the forecast commodity prices, operating expenditure, capital expenditure, inflation and foreign exchange rates. We have therefore included a sensitivity analysis to consider this value under various pricing scenarios and in applying:

- a change of +/- 10% to the export coal price;
- a change of +/- 10% to the domestic coal price;
- a change of +/- 10% to operating expenses;
- a change of +/- 10% to the USD:ZAR exchange rate;
- a 0% to 10% civil and infrastructure capital expenditure contingency allowance per SRK's recommendations;
- a discount rate within the range of our assessed cost of equity; and
- a change of +/- 1% to the South African inflation rate.

The following sensitivities have been prepared to assist Shareholders in considering the potential effects to the value if our base case assumptions change. It represents the NPV of the Coal Reserves included in the Adjusted Model and accounts for the debt required to bring these Coal Reserves into production.

Currency: ZAR million	Sensitivity Analysis of the Project's DCF Valuation			
Percentage change	**Export coal price**	**Domestic coal price**	**Operating expenses**	**USD:ZAR**
-10.0%	657	1,118	2,533	516
+0.0%	1,400	1,400	1,400	1,400
+10.0%	2,504	1,680	475	2,488

Source: Adjusted Model and BDO analysis

Sensitivity Analysis of the Project's DCF Valuation to the contingency allowance			
Civil and infrastructure contingency	**10.0%**	5.0%	**0.0%**
Value (ZAR million)	1,375	1,400	1,430

Source: Adjusted Model and BDO analysis

Sensitivity Analysis of the Project's DCF Valuation to the discount rate				
Discount rate	**17.0%**	18.0%	**19.0%**	**20.0%**
Value (ZAR million)	1,593	1,400	1,233	1,089

Source: Adjusted Model and BDO analysis

Sensitivity Analysis of the Project's DCF Value to a change in the South African inflation rate			
Flex on South African inflation rate	**-1.0%**	+0.0%	**+1.0%**
Value (ZAR million)	1,842	1,400	1,121

Source: Adjusted Model and BDO analysis

From the above, it can be seen that the Project is particularly sensitive to changes in the export coal price, operating expenses and the USD:ZAR exchange rate assumed. It is relatively less sensitive to the domestic coal price as this is contracted at a lower price than the export coal, resulting in a smaller contribution to the Project's revenues compared to export coal.

We note from the sensitivity analysis that:

- The Project is sensitive to the USD:ZAR exchange rate due to the Project's capital expenditure and operating costs being denominated primarily in ZAR, while its revenues, which are mainly export sales, are received in USD and are not hedged;
- The Project is sensitive to operating expenses as this forms the majority of the costs involved in the Project, and includes the costs associated with operating the Project Rail-Link; and
- The Project is also relatively sensitive to the discount rate and inflation rate applied as the cash flows in the Adjusted Model are weighted toward the end of the forecast period.

In considering the above sensitivities, Shareholders should note the following:

- the variables described above may have compounding or offsetting effects and are unlikely to move in isolation;
- the variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- the sensitivities performed do not cover the full range of possible variances from the base case assumptions used (i.e. variances could be greater than the percentage increases or decreases set out in this analysis).

We also note that we have presented the above sensitivities to highlight the sensitivity of the value of the Project to changes in pricing and other assumptions.

During our sensitivity analysis, we also found that, based on the macroeconomic assumptions we have adopted as well as SRK's recommendations around the capital expenditure contingencies for civil and infrastructure:

- there were several scenarios under which a number of the financial covenants specified in the Common Terms Agreement (see Section 4.2) were breached or triggered, and certain debt facilities were still outstanding by the end of the forecast period; and
- there were periods either during construction and/or operation where there were funding shortfalls.

Under the set of assumptions used in our base case, the Adjusted Model forecasts funding shortfalls during both construction and operation, and a non-compliance of a financial covenant. It should be noted that this is an outcome of the assumptions we have adopted, however, as the Project's cash flows are highly sensitive to the assumptions used, it is also possible that, should the future macroeconomic and coal price environment be more favourable for the Project, such issues would not arise.

As the value of the Project moves higher than our base case the funding shortfall reduces both in quantum and timeframe. At the higher end of our valuation range there is no funding shortfall and no covenant breaches.

There remains a real risk in LCL being able to realise the values in the middle and lower parts of our valuation range, which correspond to assumptions under our base case and those less favourable to the Project respectively, which may be mitigated by access to short term funding facilities that are over and above those offered under the Proposed Transaction.

Based on the above, under the set of assumptions adopted in our base case scenario, LCL would need to source additional funding and renegotiate with the lenders on relaxing the covenant requirements in order to avoid default. We have not included the impact of such arrangements in our DCF value.

Conclusion on DCF value of the Project's Coal Reserves included in the Adjusted Model

Based on the above analysis and taking into consideration the Project's sensitivity particularly with regards to the USD:ZAR exchange rate and export coal prices, our value of the Project's Coal Reserves included in the Adjusted Model is between ZAR500 million to ZAR2.5 billion. This value accounts for the debt facilities required to fund the Project. We note that this compares to the market value determined by SRK for the Coal Reserves included in the model of between ZAR508 million and ZAR1.653 billion.

12.1.2. Value of LCL's other mineral assets and exploration properties

As discussed in Section 11, we have instructed SRK to value the other mineral assets and exploration properties not included in the DCF valuation. In SRK's opinion, the market value of LCL's interest in these assets lies within the range of US$65 million to US$187 million, with a preferred value of US$127 million.

The details of SRK's valuation of these mineral assets are available in the Independent Technical Assessment and Valuation Report attached as Appendix 4. Based on the USD:ZAR exchange rate of 14.50 as at 21 January 2020, the value of these mineral assets when converted into ZAR terms is set out below.

LCL's other mineral assets and exploration properties not included in the Adjusted Model	Low R million	Preferred R million	High R million
Boikarabelo JORC Code (2012) Measured and Indicated Coal Resources not considered in the Adjusted Model, on an undeveloped basis	508	1,088	1,653
Boikarabelo JORC Code (2004) Coal Resources not considered in the Adjusted Model (Inferred)	435	754	1,059
Value of LCL's other mineral assets and exploration properties	943	1,842	2,712

Source: Independent Technical Assessment and Valuation Report prepared by SRK

The portion of Coal Reserves not accounted for in the Adjusted Model is included in SRK's "Boikarabelo JORC Code (2012) Measured and Indicated Coal Resources not considered in the Adjusted Model, on an undeveloped basis" value above. We have elected to value this portion of Coal Reserves on an undeveloped basis as:

- The current mining rights to the Project expire 19 April 2044 which is an insufficient time for the remaining Coal Reserves to be converted into production;
- The material contracts in place for the Project currently are not of a sufficient length in time to support the conversion of the remaining Coal Reserves into production; and
- To value these remaining Coal Reserves in a DCF would require the adoption of assumptions including for mine physicals and for the macroeconomic environment, which are more than 23 years in the future. We opine that this is too far a time in the future to make reliable estimates on these assumptions to arrive at a meaningful DCF value.

12.1.3. Value of LCL's other assets and liabilities

Other assets and liabilities of LCL represent the non-operating assets and liabilities, the economic impact of which have not been captured in the Adjusted Model. From our discussions with Resgen and analysis of these assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their fair value unless an adjustment has been noted below.

The table below represents a summary of the assets and liabilities identified.

LCL's other assets and liabilities	Notes	Audited as at 30-Jun-19 R	Adjusted NAV R
CURRENT ASSETS			
Cash and cash equivalents	a	11,830,623	3,135,392
Receivables	b	1,936,708	2,374,503
Related party loan	c	71,207	-
TOTAL CURRENT ASSETS		13,838,538	5,509,895
NON-CURRENT ASSETS			
Deposits		12,785,716	12,785,716
Property, plant and equipment	d	8,726,897	8,262,334
Mining tenements and development	e	1,462,644,381	-
TOTAL NON-CURRENT ASSETS		1,484,156,994	21,048,050
TOTAL ASSETS		1,497,995,532	26,557,945
CURRENT LIABILITIES			
Creditors	f	36,544,413	41,963,267
Provisions	g	1,409,404	1,455,053
Loans	c	206,581,263	-
Related party loans	c	537,586,242	-
TOTAL CURRENT LIABILITIES		782,121,322	43,418,320
NON-CURRENT LIABILITIES			
Loans	c	652,877,753	-
Provisions	g	39,845,378	39,845,378
TOTAL NON-CURRENT LIABILITIES		692,723,131	39,845,378
TOTAL LIABILITIES		1,474,844,453	83,263,698
NET ASSETS		**23,151,079**	**(56,705,754)**

Source: Audited financial statements of LCL for the year ended 30 June 2019, management accounts for the period ended 30 November 2019 and BDO analysis.

We have not undertaken a review of LCL's unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We have not made adjustments to the balances per the audited accounts apart from the adjustments detailed below. Where the above balances differ materially from the audited position at 30 June 2019, we have obtained supporting documentation to validate the adjusted values used, which provides reasonable grounds for reliance on the unaudited financial information.

Note a) Cash and cash equivalents

As we have done in Section 11, we have adjusted the cash position at 30 June 2019 to reflect the actual cash balance at 30 November 2019 per the Company's management accounts. We have verified this cash position against LCL's bank statements.

Note b) Receivables

As we have done in Section 11, we have adjusted receivables to their amounts as at 30 November 2019. These receivables are not accounted for in the Adjusted Model and hence we have left it in here per the November 2019 balance.

Note c) Related party loans and Loans

Loans, whether from related parties or otherwise, are accounted for in the Adjusted Model as financing cash flows. Therefore, the impact of these are included in the DCF value of the Project and are adjusted to nil here.

Note d) Property, plant and equipment

As discussed in Section 11, LCL's property, plant and equipment balance comprises entirely of non-mining related assets, the bulk of which relate to land and buildings. Mining-related assets required for the Project are already accounted for in our DCF valuation. Therefore, we have only adjusted this balance for the 30 November 2019 balance sheet amount per management accounts.

Note e) Mining tenements and development

The book value of mining tenements and development relates to capitalised historical expenditure. We have adjusted this balance to nil as we (and SRK) have separately valued LCL's mineral assets in our Sum-of-Parts valuation.

Note f) Creditors

As we have done in Section 11, we have adjusted the creditors balance at 30 June 2019 to reflect the actual creditors balance at 30 November 2019 per LCL's management accounts.

Note g) Provisions

Current provisions relate to payroll and leave provision, both of which have been adjusted to the actual provision at 30 November 2019 per LCL's management accounts.

Non-current provisions relate to provisions for rehabilitation. As a rehabilitation provision is not included in the Adjusted Model, we have included it unadjusted here.

13. Is the Proposed Transaction fair?

The value of Resgen's 74% interest in LCL prior to the Proposed Transaction is compared to the value of Resgen's 51% interest in LCL following the Proposed Transaction below:

	Ref	Low ZAR million	High ZAR million
Value of Resgen's 74% interest in LCL prior to the Proposed Transaction	11	-	2,084
Value of Resgen's 51% interest in LCL following the Proposed Transaction	12	707	2,629

In our opinion, the Proposed Transaction is fair because, whilst there is a significant risk that in certain circumstances and under the adopted assumptions, our valuation of LCL following the Proposed Transaction may not be realised as a result of temporary cash flow availability limitations, the range of values of Resgen's interest in LCL following the Proposed Transaction is higher than the value of Resgen's interest in LCL prior to the Proposed Transaction.

In arriving at this opinion we have considered the following factors that may impact our value range following the Proposed Transaction:

- Under the set of assumptions adopted in our base case, the Adjusted Model forecasts funding shortfalls during both construction and operation, and a non-compliance with a financial covenant;
- As the value of the Project moves higher than our base case the funding shortfall reduces both in quantum and timeframe. At the higher end of our valuation range there is no funding shortfall and no covenant breaches.
- There remains a real risk in LCL being able to realise the values in the middle and lower parts of our valuation range, which correspond to assumptions under our base case and those less favourable to the Project, respectively, which may be mitigated by access to short term funding facilities that are over and above those offered under the Proposed Transaction.
- Under the set of assumptions adopted in our base case, LCL would need to source additional funding and renegotiate with the lenders on relaxing the covenant requirements in order to avoid default. We have not included the impact of such arrangements in our DCF value.
- Taking into consideration the funding issues discussed above in our scenario analysis, we also consider there to be significant risks in the Project being able to realise the cash flows forecast by the Adjusted Model.

The Proposed Transaction could be considered to be fair under certain macroeconomic and coal pricing assumptions and if they do not eventuate then it could still be fair if LCL had access to additional funding, depending on the cost of that funding, and the lenders relaxing the covenant requirements to avoid default.

As stated in section 9.2, the Security Component is fair if the value of the Security Provided is equal to or less than the value of the Liabilities Settled in the event of a breach or default.

In the scenario that the value of the secured assets is greater than or equal to the amounts owed to PIC and/or Noble, and there is an event of a breach or default, then PIC and/or Noble would only be entitled to recover the amounts owed to PIC and/or Noble under the Security Component.

In a scenario that the value of secured assets is less than the amounts owed to PIC and/or Noble, in an event of a breach or default, then the secured assets would be sold and the proceeds provided to PIC and/or Noble. This can be summarised as follows:

Scenario			Consequence			Fairness
Secured Assets	>	Liabilities to be settled	Security Provided	=	Liabilities Settled	Fair
Secured Assets	=	Liabilities to be settled	Security Provided	=	Liabilities Settled	Fair
Secured Assets	<	Liabilities to be settled	Security Provided	<	Liabilities Settled	Fair

Source: BDO analysis

Therefore, on the terms of the Security Component, specifically if there is an event of a breach or default, then PIC and Noble are only entitled to be repaid the amounts outstanding, we consider that the Security Component is fair in all scenarios.

Notwithstanding the funding issues outlined above, the range of values for Resgen's interest in LCL following the Proposed Transaction is higher than the range of values for Resgen's interest in LCL prior to the Proposed Transaction, accordingly in our opinion the Proposed Transaction is fair. If the cash flow availability limitations are not able to be resolved then our opinion would be that the Proposed Transaction is not fair.

14. Is the Proposed Transaction reasonable?

In our opinion the Proposed Transaction is reasonable. In this section we set out our considerations as to the reasonableness of the Proposed Transaction.

14.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Resgen a premium over the value ascribed to the Proposed Transaction.

Prior to entering into negotiations with PIC, IDC and Noble in relation to the Proposed Transaction, Resgen had made extensive efforts in the past nine years to obtain debt financing for the Boikarabelo Project. Resgen has, through the engagement of financial advisers as well as through its own efforts, explored several options which were all unsuccessful. Details of the alternative funding options explored by Resgen are set out in Section 14.3.3 below.

14.2 Consequences of not approving the Proposed Transaction

Consequences

Alternative funding required

In the event that the Proposed Transaction is not approved, Resgen will need to source alternative funding for the Project. There is no guarantee that such funding will be available, particularly in light of the current environment where there is a reluctance of many lenders to invest in carbon related projects (in particular thermal coal), and the Company's past challenges in securing funding.

Even if the Company is able to secure alternative funding, it is likely that the process of securing and negotiating such funding would take a significant amount of time, resulting in the depletion of the Company's cash reserves, and further delaying the commencement of production and potential returns to shareholders. It is likely that additional working capital would also be required to fund the operation of the Company in the interim.

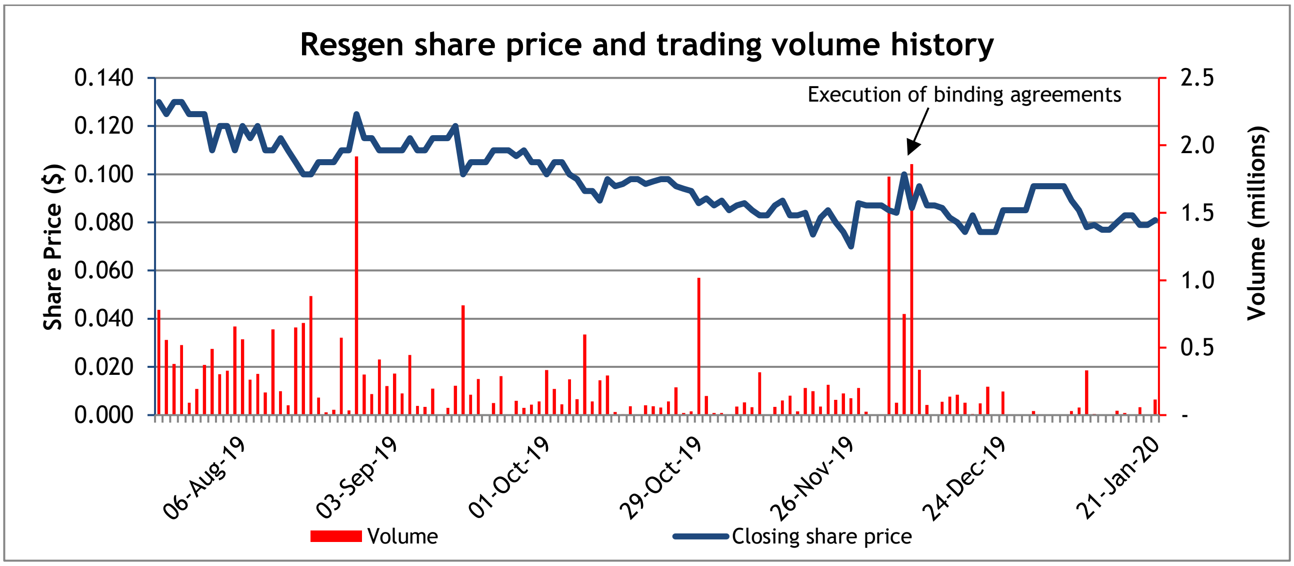
Potential breach of Noble Facility Agreement

Under the terms of the Noble Facility, the Company is required to commence repayments from the earlier of Financial Close, or 31 March 2020. The Company is not currently in a position to commence repayments by 31 March 2020 and is currently negotiating an extension of this date to 30 April 2020 (or such other mutually agreed date) due to a revision to the target date for Financial Close. If the Proposed Transaction is approved, part of the Noble Facility will be converted to a subordinated equity loan and the remainder will be repaid from the first drawdown of the funding package. However, if the Proposed Transaction is not approved, the Company will be required to secure alternative funds to commence repayments, or risk breaching the Noble Facility agreement. It is not clear where such funds could be sourced from or the cost of such funds if they were to become available.

Post announcement pricing analysis

Resgen has been actively pursuing funding for the Project for many years in various forms and from various parties (see Sections 5.3 and 14.3.3). The Company has only been able to announce the execution of binding agreements for the Proposed Transaction on 5 December 2019, however, it has kept the market informed of its developments in this regard throughout this period. Therefore, when the announcement of the Proposed Transaction was made on 5 December 2019, the Company's share price had already been aware of the structure of the Debt Financing.

As a consequence, an analysis of Resgen's share price after 5 December 2019 would not be a meaningful gauge of the market's perception of the Proposed Transaction. Instead, we have analysed the share price movements leading up to and after 5 December 2019. The below graph shows Resgen's share price over the 6 months to 21 January 2020.



Source: Bloomberg and BDO analysis

In addition to the continual delay in sourcing the required Debt Financing, Resgen's share price has also been impacted by the increasingly negative investor sentiment on coal (discussed in Section 14.3.3). This is despite the fact that Richards Bay coal prices have actually increased from around USD67/t at 21 July 2019 to around USD78/t at 21 January 2020, based on data from S&P Capital IQ.

On 5 December 2019, the announcement of the execution of binding agreements was initially viewed positively by the market and Resgen's share price rose 19% on the day to close at $0.100. Volume traded on the day was also higher compared to most of the days preceding the announcement. However, the share price fell 13% over the three subsequent trading days to close at $0.087, with noticeably higher volumes traded on 6 December 2019. Since then, the Company's share price has hovered around the $0.080 levels and traded on lower volumes as well.

In our opinion, the downward trend in Resgen's share price over the period analysed is reflective of investor fatigue with regards to the length of time the Debt Financing has taken to be agreed as well as the general investor sentiment towards coal mentioned above. The initial optimism following the announcement has appeared to dissipate as these factors continue to weigh on investors' minds.

14.3 Advantages of Approving the Proposed Transaction

We have also considered the following advantages when assessing whether the Proposed Transaction is reasonable.

14.3.1 The Proposed Transaction is fair

As set out in Section 13, the Proposed Transaction is fair. RG 111 states than an offer is reasonable if it is fair. If the cash flow availability limitations are not able to be resolved then our opinion would be that the Proposed Transaction would still be reasonable.

14.3.2 Shareholders of Resgen will have the opportunity to participate in the potential returns of the Boikarabelo Project

The Company is currently not generating any operating revenue and hence no means of generating an immediate return for Shareholders, other than through the sale of the Project. In order to be able to generate returns for Shareholders, Resgen will first require a substantial amount of funding to meet upfront capital expenditure of approximately ZAR4.2 billion for the development of the Boikarabelo Project. It is noted that Resgen has made significant attempts in the past ten years to secure debt funding, details of which are set out in the next section.

SRK has provided an opinion on the market value of the Project as is on an unfunded basis at between US$100 million and US$301 million. This represents the value of the Project if it was to be sold. We have concerns about whether an amount in the higher part of this range could realistically be achieved. In its report, SRK considers that the Coal Resource to Coal Reserve conversion to be a low technical risk, but there is a high commercial risk given the current domestic coal price environment in South Africa and the prevailing coal export market sentiment.

The Proposed Transaction, if approved, will change the Company's nature and scale of activities. With the funding, Resgen will have the majority of the funding required to develop the Boikarabelo Project. Whilst funding for the Project Rail Link and the Ramp-up Capital Facility is still being negotiated, the Proposed Transaction is contingent upon having these facilities in place.

If the Proposed Transaction is approved and the Project is developed, Shareholders will then own shares in a company which has the potential to generate profits, and consequently, has a greater potential to generate returns for Shareholders. We note however that returns to Shareholders will be delayed, as a result of the cash sweep mechanism embedded in the facilities which requires the debt to be repaid first. This is set out in Section 14.4.4 below.

In addition, when considering the value of the Coal Reserves included in the model on a 100%-basis, our DCF value is broadly higher than SRK's equivalent but on an undeveloped basis as shown below:

Value of Coal Reserves considered in the Adjusted Model	Ref	Low ZAR million	High ZAR million
DCF Value	12.1.1	500	2,500
Boikarabelo JORC Code (2012) Coal Resources considered in the Model and on an undeveloped basis	11.1	508	1,653

Based on a USD:ZAR exchange rate of 14.50 as at 21 January 2020

Notwithstanding the funding issues outlined in our sensitivity analysis section, this means that the Proposed Transaction increases the overall value of the Project (on a 100%-basis) and is an advantage for Shareholders even though their interest in the Project is diluted.

Finally, successful development of the Project into production could lead to a re-rating of the asset and increases the chance of a successful asset sale in the future, should LCL's shareholders decide to explore that avenue.

14.3.3 Provides the necessary funding required for the development of the Boikarabelo Project

Resgen has advanced the Boikarabelo Project to a stage where all the feasibility work has now been completed and most of the key contracts and approvals are already in place. Securing Debt Financing is the final major step to enable Resgen to take the Project to full development and construction.

Resgen secured its first long-term export coal off-take contract in September 2010 with Integrated Coal Mining Limited for the sale of Boikarabelo thermal coal. In December 2010, a second long-term export coal off-take contract was signed. Mining rights for the Project were granted effective from 20 April 2011. Since then, the Company has spent a protracted length of time securing further offtake contracts, obtaining all the necessary development approvals, negotiating logistic and infrastructure agreements, locking in contracts for the development and operations of the Project as well as seeking funding.

While Resgen has been able to successfully raise some equity in the market for working capital purposes, to carry out activities to progress the Boikarabelo Project to development stage, the Company has faced significant challenges in obtaining Debt Financing for the Project. Significant unsuccessful attempts by the Company in securing substantial funding for the Project include:

- a loan facility agreement with Komatsu Financial Limited Partnership to provide up to US$113 million for the purchase of equipment for Boikarabelo Project was entered into in August 2014 but could not be activated as debt funding necessary to complete the Project had not been secured;
- negotiations with RMB, HSBC, IDC, PIC, Noble and EFIC were underway in February 2015 but fell away when HSBC and EFIC subsequently withdrew their involvement;

- a MOU entered into with Swiss private company, HAB, in September 2015 to provide funding of €480 million for the Boikarabelo Project was abandoned in February 2016 after Resgen came under new management who announced that it would no longer pursue funding from HAB;
- an agreement with a financing syndicate comprising RMB, IDC, PIC and Noble that was entered into in August 2016, to provide funding of ZAR5.52 billion (A$515 million) to complete the construction of the Boikarabelo Project to the point of commissioning, also fell away when RMB subsequently withdrew its involvement;
- an extension of the existing US$20 million Noble Facility, first drawn down in March 2014, had to be negotiated in March 2017 to provide additional funds of up to US$8.4 million to fund ongoing development of the Boikarabelo Project while funding was still being sought;

  several additional extensions of the Noble Facility were announced to delay repayment and increase the facility further by US$3.8 million (7 December 2017), US$2.5 million (29 March 2018), US$2.5 million (1 August 2018), US$4.7 million (30 October 2018) and finally by US$2.5 million (15 March 2019). The total funding provided by the Noble Facility now stands at US$46.9 million from US$20 million originally.

We note that negative sentiment towards investment in thermal coal related assets means that securing alternative funding for the Boikarabelo Project may prove to be increasingly difficult. For example:

- In January 2020, Blackrock Inc., the world's largest institutional investor, announced that it will remove from its investment portfolio, the securities (debt and equity) of all companies that generate more than 25% of their revenues from thermal coal production; and
- In 2019, Norway's US$1 trillion sovereign wealth fund announced that it would cease investing in companies that mine more than 20 million tonnes of thermal coal per year. BHP is looking to exit its remaining coal mines in Colombia and Australia, and Anglo American Coal PLC has also indicated that thermal coal is not part of its long term plans.

Considering this environment, alternative funding options for the Project will be limited.

The Proposed Transaction, if approved, will provide LCL with the funding necessary to meet the upfront capital expenditure of approximately ZAR4.2 billion for the development of the Boikarabelo Project. This eliminates the funding risk for Resgen and LCL, particularly in light of various unsuccessful attempts of funding alternatives that had been explored by Resgen. However, we do note that under our adopted assumptions, LCL would need to source additional funding and renegotiate with the lenders on relaxing the covenant requirements in order to avoid default.

As most of the key contracts and approvals are already in place, securing Debt Financing is the final major step to enable Resgen to advance the Boikarabelo Project to full development and construction.

14.3.4 Ongoing Noble support

Noble has demonstrated its commitment to Resgen by providing a US$20 million facility in March 2014, and subsequently extending further funds to bring the total facility to US$46.9 million currently, to fund ongoing development of the Boikarabelo Project while funding was still being sought.

Noble will continue its support for the Company by agreeing to the release of its security, being the share pledge over Resgen's 74% interest in LCL, to enable the grant of security to the Lending Syndicate under the Proposed Transaction.

Furthermore, Noble has agreed to the conversion of the original Noble Facility of US$20 million plus accumulated interest, from a term loan to a Subordinated Equity Loan which will rank pari passu with the New Shareholders Loans, and as such will be unsecured and interest free.

By being a party to the Lending Syndicate, release of its security, and foregoing interest after Financial Close, Noble is demonstrating continuing support for the Project and for Resgen, as well as an alignment of Noble's interests with the interests of Shareholders.

14.3.5 Commitment by the South African government and the alignment of its interests with the interests of Shareholders

We understand that coal is the major source of energy in South Africa but production from existing mines is limited due to the imbalance between supply and demand over the next 10 years. The Waterberg coalfield contains approximately 40% of South Africa's remaining coal resource and is considered to be the next viable source of coal in the future. Therefore, it is anticipated that the Boikarabelo Project, being a pioneer in opening the Waterberg coalfield, will make a significant contribution to the local economy and the country in the near future.

A key objective of South Africa's National Development Plan is to unlock the potential of South Africa's Northern Minerals Belt using the Waterberg coalfield as a catalyst. Infrastructure connection using the existing rail system will allow access to domestic markets while coal terminals of Richards Bay will enable export shipments to overseas markets. The development of the Boikarabelo Project is expected to create a large number of permanent jobs that will benefit South Africa's economy.

In the development of the Boikarabelo Project, ResGen has engaged in developing a public-private partnership with critical stakeholders in the South African public sector. These stakeholders include:

- Transnet – a state-owned company, wholly owned by the South African Government, which is the custodian of rail, ports and pipelines, responsible for enabling the competitiveness, growth and development of the South African economy through the provision of freight transport and handling services;
- PIC – a registered financial services provider, wholly owned by the South African Government, which is one of the largest investment managers in Africa, responsible for investing funds on behalf of public sector entities and managing assets of over ZAR2.131 trillion;
- IDC – a national development finance institution, wholly owned by the South African Government, set up to promote economic growth and industrial development of South Africa including funding companies to enable job creation, to promote regional development and integration, for the empowerment of communities and growing black industrialists amongst many others;
- Development Bank of South Africa – a development finance institution, wholly owned by the South African Government, which plays a pivotal role in delivering developmental infrastructure in South Africa and the rest of the African continent through the provision of development finance; and
- Eskom – electricity public utility, owned by the South African Government, that generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors, through buying from and selling electricity to countries of the Southern African Development Community.

The provision of finance by PIC and IDC under the Proposed Transaction demonstrates the commitment and support by the South African Government in not only developing the Boikarabelo Project but also in delivering on its key objective of South Africa's National Development Plan.

In addition, holding an increased equity stake in LCL through PIC and IDC following the Proposed Transaction is likely to align the South African Government's interests with the interests of Shareholders.

14.3.6 No additional equity injection is required from Resgen and no dilution of Shareholders' holdings in the Company

The Proposed Transaction provides senior, mezzanine and equity (through shareholders' loans) funding directly to LCL, and together with LCL's existing cash holdings, provides most of the funds to meet the upfront capital expenditure required for the development of the Boikarabelo Project. Further funding to meet this shortfall is most likely to come from short term bank debt, or similar. As such, no further cash injection from Resgen (as the parent company) into LCL is necessary and there is no immediate need for Resgen to carry out further equity raising on behalf of LCL.

Consequently, there is no dilution of Shareholders' existing holdings in Resgen, notwithstanding that there is a dilution of Resgen's shareholding in LCL in return for the value uplift from the Project.

14.3.7 The Security Component is fair

As set out in section 13, the Security Component is fair to Shareholders. RG 111.12 states that an offer is reasonable if it is fair.

14.3.8 The Security Component allows the Transaction to proceed

As stated in the Report, the Security Component is an integral part of the Proposed Transaction. The Proposed Transaction will not proceed without the provision of the Security Component

14.4 Disadvantages of Approving the Proposed Transaction

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

14.4.1 Dilution of ownership of the Project

Under the Proposed Transaction, Resgen, through Resgen Africa, will issue an additional 23% of the share capital of LCL to the Lending Syndicate. Consequently, Shareholders will reduce their ownership of LCL and the Boikarabelo Project from 74% to 51%.

14.4.2 Security granted over Resgen's assets

The security package provided for the Debt Financing will result in the granting of a security interest over all of the assets of the Company in favour of the Lending Syndicate. This will limit the ability of the Company to secure further debt funding in the future. We note however that the Common Terms Agreement provides for the granting of security for the Ramp-up Capital Facility for the Project, and the Company will not be required to provide security for the rail link funding as this will be ring-fenced to the SPV.

We note the potential need for LCL to source additional funding under certain pricing and exchange rate assumptions. The security package provided for the Debt Financing may limit LCL's ability to find other debt financing for this, if required, from alternative sources.

14.4.3 Drawdown of funds is dependent on securing rail link funding and the Ramp-up Capital Facility

The Project Funding Agreements contain conditions precedent to funds drawdown, which relate to the finalisation of funding agreements for the Ramp-up Capital facility and the rail link facility. In the event that these conditions precedent are not waived or satisfied, funds cannot be drawn down for the development of the Project.

14.4.4 Delayed returns to Shareholders

Whilst the development of the Project provides the opportunity of a return to Shareholders by virtue of their holding being in a company that has the ability to generate profits, the cash sweep mechanism embedded in the Common Terms Agreement means that any surplus cash is first applied to mandatory prepayments of the Debt Financing. The cash sweep mechanism specifies that where surplus cashflow is available at each calculation date, the excess cash will be utilised in the following order:

- Where the Senior Debt Facilities are still outstanding;
  - 40% to be applied as a prepayment of the Senior Debt Facilities;
  - 40% to be applied as a prepayment of the Mezzanine Debt Facilities;
  - 20% to be transferred to the distribution account.
- Where the Senior Debt Facilities have been fully repaid;
  - 60% to be applied as a prepayment of the Mezzanine Debt Facilities;
  - 40% to be transferred to the distribution account.
- Furthermore, all cash available for distribution, subject to compliance with the cash lock up financial covenants shall be applied as follows:
  - 10% shall be paid to the IDC;
  - 10% shall be paid to GEPF (represented by PIC);
  - 50% shall be paid to Noble;
  - 19.87% shall be paid to Resgen Africa; and
  - 10.13% shall be payable to Fairy Wing.

The above distribution structure shall remain in place until the Noble shareholder loan is repaid. Once the aforementioned shareholder loan is settled in full, distributions will be in the form of dividends to LCL's shareholders in proportion to their shareholding.

The cash sweep mechanism requiring mandatory prepayments of the Debt Facilities will delay the distribution of returns generated by the Project to Shareholders.

14.4.5 High debt exposure

If approved, the Proposed Transaction will result in a substantial increase in LCL's debt levels and will reduce LCL's equity to below zero.

LCL's debt and equity levels as at 30 June 2019 is as follows:

Prior ot the Proposed Transaction	Total Equity (E) ZAR	Total Debt (D)* ZAR
Funding structure	23,151,079	1,397,045,258

Source: LCL Audited Financial Statements for the year ended 30 June 2019 & BDO analysis

*includes related party loans

The table below shows the changes to the funding structure of LCL if the Proposed Transaction is approved, accounting for the expected US$32.59 million (approximately ZAR480.70 million) principal and interest repayment of the New Noble Facility from proceeds of the Mezzanine Debt Facilities, and the conversion of the ZAR275 million in redeemable preference shares into debt:

Funding Structure	Equity	Existing loans	Conversion of preference shares	New Shareholders Loans	Senior Debt Facilities	Mezzanine Loan Facilities	Working Capital Facilities
	m ZAR	m ZAR	m ZAR	m ZAR	m ZAR	m ZAR	m ZAR
LCL as at 30 June 2019	23.2	1,397	-	-	-	-	-
Proposed Transaction Adjustments	(275)	(481)	275	230	2,340	1,630	550
Balance following the Proposed Transaction	(252)	916	275	230	2,340	1,630	550

Source: BDO analysis

The Proposed Transaction will increase LCL's debt levels substantially, resulting in negative equity and a higher than normal debt exposure, which tends to increase the risk of default. Increase in the risk of default increases the risk to LCL's equity holders, which in turn increases the risk to Shareholders.

Following the Proposed Transaction	Total Equity (E) ZAR	Total Debt (D)* ZAR
Funding structure	(251,848,921)	5,941,345,894

Source: BDO analysis

*includes related party loans

14.5 Other considerations

14.5.1. Change of Resgen's primary listing to the JSE

One of the amendments to the SHA arising from the Proposed Transaction is the potential change in Resgen's primary listing from the ASX to the JSE within four years of Financial Close, subject to all regulatory requirements (which are expected to include shareholder approval). Although the amendment does not specify what is to happen to the Company's ASX listed shares, a move in Resgen's primary listing from the ASX to the JSE could potentially see a decline in the volume of the Company's ASX traded shares.

However, we note that the move will be subject to shareholder approval and no definitive date has been set for the move.

14.5.2. Option to exchange shares in LCL for shares in Resgen

As part of the Proposed Transaction, PIC, IDC and Noble wish to secure an option to exchange their shares in LCL for shares in Resgen, subsequent to any primary listing of the Company's shares occurring on the JSE as discussed above. A proposal by Resgen Africa is to be submitted to these lenders prior to Financial Close. The impact of such an option will depend on the final terms of the option which are yet to be decided. However, we note that the exercise of such an option will dilute existing shareholders' interests in Resgen, although, depending on the terms of the option agreement, this could be offset by an increase in their interests in the Boikarabelo Project (via an increase in Resgen's interest in LCL).

15. 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;
- Senior Debt Facility agreement between LCL and Noble, PIC and IDC dated 28 November 2019;
- Mezzanine Debt Facility agreement between LCL and Noble dated 28 November 2019;
- Mezzanine Debt Facility agreement between LCL and GEPF (represented by PIC) dated 28 November 2019;
- Mezzanine Debt Facility agreement between LCL and IDC dated 28 November 2019;
- Equity Contribution Agreement between LCL, RAHL, Fairy Wing and Noble, GEPF and IDC dated 28 November 2019 ;
- Common Terms Agreement dated 28 November 2019;
- Detailed cashflow model for the Boikarabelo Project;
- Detailed cashflow model for the Project Rail Link arrangements;
- Audited financial statements of Resgen for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- Audited financial statements of Ledjadja Coal (Pty) Ltd for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- Unaudited financial statements of Ledjadja Coal (Pty) Ltd for the period ended 30 November 2019;
- Independent Technical Assessment and Valuation Report of Resgen's mineral assets dated 31 January 2020 performed by SRK Consulting (Australasia) Pty Ltd;
- Share registry information for Resgen;
- Information in the public domain;
- Forecast for Richards Bay coal prices from Wood Mackenzie's Boikarabelo Coal Price Summary Report - Boikarabelo FOB Richards Bay, 6,000 kcal/kg Net As Received; and
- Discussions with Directors and Management of Resgen.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $90,000 (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 Resgen, 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 lenders in the Syndicate 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 lenders in the Syndicate and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 – Professional Independence. The services provided have no material impact on the financial report of Resgen.

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.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

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).

17. 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 Investments 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 Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans over 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.

18. Disclaimers and consents

This report has been prepared at the request of Resgen for inclusion in the Explanatory Memorandum and Notice of Meeting which will be sent to all Resgen Shareholders. Resgen engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to dilute its shareholding in its subsidiary, Ledjadja Coal Pty Ltd, from 74% to 51%, in exchange for Debt Financing for the Boikarabelo Project.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum and Notice of Meeting. 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 and Notice of Meeting 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 the Proposed Transaction. 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.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Resgen and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

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

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by SRK Consulting (Australasia) Pty Ltd.

The valuer engaged for the mineral asset valuation, SRK Consulting (Australasia) Pty Ltd, possesses the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

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.

The coal price forecasts used in our report and analysis were obtained from Boikarabelo Coal Price Summary Report, a product of Wood Mackenzie. The data and information provided by Wood Mackenzie should not be interpreted as advice and you should not rely on it for any purpose. You may not copy or use this data and information except as expressly permitted by Wood Mackenzie in writing. To the fullest extent permitted by law, Wood Mackenzie accepts no responsibility for your use of this data and information except as specified in a written agreement you have entered into with Wood Mackenzie for the provision of such of such data and information. The data was provided by Wood Mackenzie “as is”, without warranty of any kind, there is no responsibility or liability to any third party with respect to its use and Wood Mackenzie has neither verified nor endorses any outputs contained herein based on our assumptions or any other third party information or data.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
The Adjusted Model	BDO have made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model
AFCA	Australian Financial Complaints Authority
ANC	African National Congress
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD or $	Australian Dollars
BDO	BDO Corporate Finance (WA) Pty Ltd
BEE	Black Economic Empowerment
Boikarabelo Project or the Project	Boikarabelo coal project in the Waterberg region of South Africa
CAPM	Capital Asset Pricing Model
CHPP	The Boikarabelo Project's coal handling and preparation plant
The Company	Resource Generation Limited
Common Terms Agreement	Binding common term sheet between the Lending Syndicate and LCL governing the project funding
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
Debt Financing	Senior and Mezzanine Debt Financing amounting to ZAR3.97 billion provided to LCL for the development of the Boikarabelo Project
EBIT	Earnings before interest and tax

Reference	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation
EFIC	Export Finance & Insurance Corporation
EHL Loan	LCL's deferred payment plan with EHL Energy Pty Ltd for the construction of the electricity sub-station at the Boikarabelo Project. The EHL Loan was subsequently paid off in August 2019.
Equity Contribution Agreement	An equity participation agreement under which PIC, IDC and Noble will subscribe for an aggregate of 23% of the share capital of LCL, in exchange for each of the parties advancing the New Shareholders' Loans to LCL
Fairy Wing	Fairy Wing Trading 136 (Pty) Ltd
Financial Close	The date on which the Proposed Transaction completes and becomes effective
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GDP	Gross Domestic Product
GEPF	Government Employees Pension Fund, represented by the Public Investment Corporation SOC Limited
HSBC	HSBC Bank's Johannesburg branch
IDC	Industrial Development Corporation of South Africa
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
Km^2	Square kilometres
LCL	Resgen's subsidiary, Ledjadja Coal Pty Ltd
Lending Syndicate	Parties providing the Debt Financing for the Boikarabelo Project comprising GEPF, UIF, IDC and Noble
Liabilities Settled	The amounts payable to PIC and/or Noble that would be settled by the sale of the secured assets

Reference	Definition
Mezzanine Debt Facilities	Mezzanine debt facilities totalling ZAR1.63 billion from Noble, PIC and IDC to be used towards funding the development of the Boikarabelo Project
The Model	Detailed cash flow model for the Boikarabelo Project incorporating the JORC compliant Coal Reserves of 267 Mt, prepared by the management of Resgen with the assistance of advisors
MOI	Ledjadja Coal Pty Ltd's Memorandum of Incorporation
MPC	Monetary Policy Committee
Mtpa	Million tonnes per annum
NAV	Net Asset Value
NDP	South Africa's National Development Plan
Noble	Noble Resources International Pte Ltd
Noble Facility	Resgen's existing loan with Noble of USD 20 million executed between the Borrower and Noble on 3 March 2014, which was extended as from 14 March 2017 to provide an additional USD 24.4 million of funds, and further extended on 1 May 2019 to provide an additional USD 2.5 million
New Noble Facility Amount	In relation to the Noble Facility, the amount up to USD 26.9 million extended to the Borrower from 14 March 2017 to date (as specified in the definition of "Noble Facility") and any subsequent amounts extended to LCL prior to Financial Close
New Shareholders Loans	The aggregate amount of ZAR230 million in shareholder loans to be contributed to the LCL by the Lending Syndicate pursuant to the Equity Contribution Agreement
PIC	Public Investment Corporation SOC Limited
Project Completion Date	Completion of the development of the Boikarabelo Project
Project Funding Agreements	Binding agreements between LCL and the Lending Syndicate for the funding of the construction of the Boikarabelo Project
Project Rail Link	A 44km rail link connecting the Boikarabelo Project to the Transnet Freight Rail main line
Proposed Transaction	Proposal for Resgen to issue a 23% shareholding in its subsidiary, LCL, to the Lending Syndicate in exchange for entering into the Debt Financing for the Boikarabelo Project.
Protech	Protech Khuthele

Reference	Definition
QMP	Quoted market price
R or ZAR	South African Rand
Ramp-up Capital Facility	A senior secured working capital facility to be established to fund any ramp-up costs, working capital costs or general and administrative expenses in advance of Project Completion, provided by commercial lenders up to a value of ZAR 550 million, the terms of which are to be agreed.
RBA	Reserve Bank of Australia
RB	Richards Bay
Resgen	Resource Generation Limited
Resgen Africa	Resgen Africa Holdings Ltd
Resgen Mauritius	Resgen Mauritius Limited
Resgen Shareholder Loan	Existing shareholder's loan provided by Resgen Africa to LCL
Resgen South Africa	Resgen South Africa Pty Ltd
Our Report	This Independent Expert's Report prepared by BDO
RG 76	Related party transactions (March 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RMB	Rand Merchant Bank
SARB	South African Reserve Bank
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
The Security Component	The granting of security over all of the assets of the Company and its subsidiaries in favour of the Lending Syndicate
Security Provided	The value of the proceeds of the sale of the secured assets that would be provided as settlement or amounts payable to PIC and/or Noble in the event of a breach or default

Reference	Definition
Senior Debt Facilities	Senior term loan facilities totalling ZAR2.34 billion from Noble, PIC and IDC to be used towards funding of the Boikarabelo Project
Senior Debt Maturity Date	The final date on which all principal and interest outstanding on the Senior Debt Facilities are to be repaid in full
SHA	Ledjadja Coal Pty Ltd's Shareholders' Agreement
Shareholders	Shareholders of Resgen not associated with the Lending Syndicate
SPV	Special Purpose Vehicle
SRK	SRK Consulting (Australasia) Pty Ltd
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Syndicate Facility	The agreement between RMB, IDC, PIC, Noble and LCL to secure funding of ZAR5.52 billion to complete construction of the Boikarabelo Project to the point of commissioning
UIF	Unemployment Insurance Fund
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
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.
WACC	Weighted Average Cost of Capital
Waterberg #1	Mining rights application for Koert Louw Zyn Pan currently pending approval
Waterberg #2	Tenements over Lisbon previously held by Waterberg One but now relinquished
Waterberg #3	Tenements over Zoetfontein previously held by Waterberg One but now relinquished
Waterberg One	Waterberg One Coal Pty Ltd
WoodMac	Wood Mackenzie

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

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Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('**EBIT**') or earnings before interest, tax, depreciation and amortisation ('**EBITDA**'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Discount Rates

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model (‘**CAPM**’) is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business’ WACC, the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

In our assessment of the appropriate discount rate for LCL, we consider the most appropriate discount rate to apply to the cash flows of the Boikarabelo Project is the peer group’s cost of equity, being the return required by equity investors in the Project. Although the Adjusted Model forecasts both unlevered and levered free cash flows, we have elected to discount the levered free cash flows using cost of equity to value the Coal Reserves included in the Model, as well as the debt required to fund it into production.

As discussed later below, we have assessed the Project against three separate coal and general mining company peer groups. Having given consideration to factors such as the similarity of risks faced and quality of the regression coefficients, we have concluded on a peer group consisting of mining companies listed on the Johannesburg Stock Exchange (‘**JSE**’).

In summary, we have used the cost of equity as our discount rate for our DCF valuation of the Project’s Coal Reserves included in the Model.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM determines the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + \beta \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
β	= equity beta

The individual components of CAPM are discussed below. As the selected peer group companies are based in South Africa and maintain their listings on the JSE, the individual components of CAPM used in our calculations are also specific to that country and market.

Risk Free Rate (R_f)

The risk free rate is normally approximated by reference to a long term government bond rate with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received.

In the Adjusted Boikarabelo Model, the forecast period over which the DCF valuation was conducted was approximately 23 years. The forecast period for the Adjusted Boikarabelo Model ends in October 2042 and therefore, we have adopted a long-term risk free rate based on a ten-year maturity period.

As the Boikarabelo Project is based in South Africa, we have used the relevant South African risk-free rate. In determining an appropriate ten-year bond rate to use as a proxy for the risk free rate we have given consideration to the current ten-year South African Government Bond rate and projections of the ten-year South African Government Bond rate from analyst forecasts. Based on this analysis, we have used a risk free rate in the range of 8% to 9% in our discount rate assessment.

Market Risk Premium (R_m - R_f)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice. In order to determine an appropriate market risk premium for a particular country, we would typically analyse historical data based on the local market's index. This method is most effective for equity markets which are developed, efficiently priced and have a high degree of liquidity. In the case of South Africa, as we consider its equity market to be relatively less developed, we have instead opted to rely on surveys of the market's expectations on risk premiums as well as calculations based on credit default swaps.

Our estimate of the market risk premium was based on analysis of work by New York University Professor Aswath Damodaran and academic research from the IESE Business School of the University of Navarra. A South African market risk premium of 8.15% was estimated by the former and 8.4% by the latter. Therefore, we consider a market risk premium of between 8% and 8.5% to be appropriate and have adopted this range in our calculation of the cost of equity.

Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally estimated using either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors, which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. It is generally accepted that a more valid analysis of betas can be achieved by 'ungearing' the equity beta to derive an asset beta ($ß_a$) by applying the following formula:

Asset beta ($ß_a$)	
$ß_a$	= ß / (1+(D/E x (1-t))
Where:	
$ß_a$	= ungeared or asset beta
ß	= equity beta
D	= value of debt
E	= value of equity
t	= corporate tax rate

Selected Beta (ß)

In order to assess the appropriate equity beta for LCL, we have considered the betas of three separate peer groups:

- ASX-listed coal mining companies;
- JSE-listed mining companies with operations based in South Africa; and
- Globally-listed mining companies with operations primarily in South Africa.

For the ASX and JSE-listed peer groups, we have regressed the returns of the selected companies against the S&P/ASX300 Energy Index and the FTSE/JSE Africa Mining Index, respectively. These indices were selected over a broader market index, as we consider them to better capture the systematic risks associated with investing in coal mining companies. They also resulted in more meaningful coefficient of determination (R^2 values) compared to a broader market index, when performing the regression analysis. The R^2 value represents the proportion of variance of a company's share price that is explained by the variance of the index it is regressed against. A higher R^2 implies that the index explains a greater proportion of the variance of the share price, and therefore results in a more meaningful beta. For the peer group of globally-listed mining companies, we have broadened the search for peers with South African operations to those listed on stock exchanges in Australia, South Africa and the United Kingdom. Consequently, we have regressed the returns of this particular peer group against a global, broad market index being the MSCI All Country World Index.

The betas below have been assessed over a two-year period to 3 January 2020 using weekly returns regressed against the respective index's returns. We have based our analysis over two years of weekly data as we found this timeframe for analysis to produce the highest R^2 values over the three data sets considered. The list of comparable companies we selected for each peer group are set out below, in order of descending R^2 values:

ASX-listed coal mining companies regressed against the S&P/ASX300 Energy Index

ASX-listed coal companies: Beta calculations based on 2-year weekly returns					
Company	Market Capitalisation 3-Jan-20 (A$m)	Geared Beta (ß)	Gross Debt/Equity (%)	Ungeared Beta (ßa)	R²
Whitehaven Coal Ltd	2,719	1.01	12%	0.94	0.37
New Hope Corp Ltd	1,747	0.95	18%	0.84	0.22
Universal Coal Plc - CDI	181	0.71	313%	0.22	0.04
Terracom Ltd	128	0.56	11%	0.52	0.04
Mean	**1,194**	**0.81**	**89%**	**0.63**	**0.17**
Median	**964**	**0.83**	**15%**	**0.68**	**0.13**

Source: Bloomberg and BDO analysis

JSE-listed mining companies regressed against the FTSE/JSE Africa Mining Index

JSE-listed mining companies: Beta calculations based on 2-year weekly returns					
Company	Market Capitalisation 3-Jan-20 (A$m)	Geared Beta (ß)	Gross Debt/Equity (%)	Ungeared Beta (ßa)	R²
African Rainbow Minerals Ltd	3,691	0.91	7%	0.87	0.34
Northam Platinum Ltd	6,540	0.94	27%	0.79	0.22
Impala Platinum Holdings Ltd	11,933	1.07	21%	0.93	0.17
Assore Ltd	3,766	0.75	5%	0.72	0.15
Royal Bafokeng Platinum Ltd	1,294	0.83	17%	0.74	0.14
Mean	**5,445**	**0.90**	**15%**	**0.81**	**0.20**
Median	**3,766**	**0.91**	**17%**	**0.79**	**0.17**

Source: Bloomberg and BDO analysis

Globally-listed mining companies regressed against the MSCI All Country World Index

Global-listed mining companies: Beta calculations based on 2-year weekly returns					
Company	Market Capitalisation 3-Jan-20 (A$m)	Geared Beta (ß)	Gross Debt/Equity (%)	Ungeared Beta (ßa)	R²
Anglo American Platinum Ltd	36,434	0.77	13%	0.70	0.05
African Rainbow Minerals Ltd	3,691	0.74	7%	0.71	0.05
Anglogold Ashanti Ltd	14,097	0.20	76%	0.13	0.03
Jupiter Mines Ltd	588	0.58	0%	0.58	0.03
Merafe Resources Ltd	220	0.47	0%	0.47	0.03
Orion Minerals Ltd	67	0.85	28%	0.71	0.02
Gem Diamonds Ltd	136	0.42	15%	0.38	0.01
Mean	**7,890**	**0.57**	**20%**	**0.52**	**0.03**
Median	**588**	**0.58**	**13%**	**0.58**	**0.03**

Source: Bloomberg and BDO analysis

Descriptions of the comparable companies are provided at the end of this appendix.

Based on the results of the regression above, we consider the peer group of JSE-listed mining companies (i.e. the second data set above) to be the most suitable for assessing LCL's beta. Our reasons for selecting this peer group include:

- Compared to the other two peer groups, the R^2 values for the JSE-listed peer group were higher in general (particularly compared to the global-listed peer group), indicating a higher quality regression analysis; and
- Compared to the ASX-listed peer group, a greater number of mining companies with South African exposure were identified in the JSE-listed peer group.

Consequently, we have based our calculation of LCL's equity beta on the JSE-listed peer group, which is reproduced below.

JSE-listed mining companies: Beta calculations based on 2-year weekly returns					
Company	Market Capitalisation 3-Jan-20 (A$m)	Geared Beta (ß)	Gross Debt/Equity (%)	Ungeared Beta (ßa)	R^2
African Rainbow Minerals Ltd	3,691	0.91	7%	0.87	0.34
Northam Platinum Ltd	6,540	0.94	27%	0.79	0.22
Impala Platinum Holdings Ltd	11,933	1.07	21%	0.93	0.17
Assore Ltd	3,766	0.75	5%	0.72	0.15
Royal Bafokeng Platinum Ltd	1,294	0.83	17%	0.74	0.14
Mean	**5,445**	**0.90**	**15%**	**0.81**	**0.20**
Median	**3,766**	**0.91**	**17%**	**0.79**	**0.17**

Source: Bloomberg and BDO analysis

In selecting an appropriate beta for LCL, we have considered the similarities and differences between it and its set of comparable companies as set out above. For the JSE-listed peer group, the comparable similarities and differences noted are:

- All of the selected comparable companies have operations predominantly located in South Africa. As South Africa has recently experienced high levels of unemployment, changes in government during 2019, and strikes by the labour unions, we consider its country risk to be an important factor in identifying the peer group;
- Although the comparable companies selected mine commodities other than thermal coal, we consider there to be sufficient similarities in terms of the risks faced by these miners operating in South Africa. We note however, that thermal coal companies in particular, face additional risks in terms of obtaining funding compared to other general mining companies, given their stigma as contributors to global warming;
- All of the selected comparable companies are already in production and therefore face lower risks compared to a mining company such as LCL which is in the development phase;
- The comparable companies are generally much larger than LCL in terms of assets, revenues and number of mines. For instance, Impala Platinum Holdings Ltd is involved with at least 5 mines and

has a market capitalisation of approximately $12 billion in AUD terms which eclipses that of LCL's parent Resgen, which has a market capitalisation of less than $100 million. As a result, these larger miners have greater diversification of risks and can be considered less risky compared to LCL.

In selecting an appropriate ungeared beta for LCL, we have considered the ungeared betas of the companies listed above along with the various factors discussed. As set out in the table above, the ungeared betas for the list of comparable companies, range from 0.72 to 0.93 with a mean and median of 0.81 and 0.79, respectively. Given that LCL faces additional risks compared to most of the companies in the peer group identified above, we consider an ungeared beta of 1.00 to form the floor of our assessed range.

From our analysis, we consider an appropriate ungeared beta to be in the range of 1.00 to 1.10 for LCL. We have then regeared the ungeared beta based on a debt to equity ratio of the peer group which we consider to be reflective of the capital structure an investor would apply when investing in a mining project based in South Africa. Based on the peer group's median debt to equity ratio of 17%, we have adopted a debt to equity ratio of 20% for our purposes. We have also adopted the South African corporate tax rate of 28% for the purpose of our assessment.

Consequently, this results in a regeared beta range of 1.14 to 1.26.

Cost of Equity

We have assessed the cost of equity of LCL prior to the Proposed Transaction to be in the range of 17.2% to 19.7% with a midpoint of 18.4%. This is the cost of equity for LCL in nominal terms.

Input	Value adopted	
	Low	High
Risk free rate of return	8.0%	9.0%
Equity market risk premium	8.0%	8.5%
Beta (regeared)	1.14	1.26
Cost of Equity (nominal)	**17.2%**	**19.7%**

Source: Bloomberg and BDO analysis

Based on the rounded midpoint of this range, we consider a nominal cost of equity of 18% appropriate.

Set out below are the company descriptions of the companies we considered in our comparable company analysis.

Descriptions for ASX-listed coal mining companies peer group

Company name	Company description
Whitehaven Coal Limited	Whitehaven Coal Limited develops and operates coal mines in New South Wales and Queensland. The company operates in two segments, Open Cut Operations and Underground Operations. The company operates five mines in North West New South Wales; four open cut mines at Maules Creek, Tarrawonga, Werris Creek, and Sunnyside; and one underground mine at Narrabri. It offers thermal and metallurgical coal. The company sells its coal primarily in Japan, Taiwan, Korea, India, China, Malaysia, Indonesia, Vietnam, the Philippines, Australia, New Caledonia, and internationally. Whitehaven Coal Limited was founded in 1999 and is headquartered in Sydney, Australia.

Company name	Company description
New Hope Corporation Limited	New Hope Corporation Limited explores, develops, produces, and processes coal, and oil and gas properties. It operates through three segments: Coal mining in Queensland, Coal mining in New South Wales, and Other. The company has interests in two open cut coal mines in South East Queensland that produce thermal coal, including the New Acland project, which is located in north-west of Oakey, Queensland; and the Jeebropilly coal mine located in the West Moreton region near Ipswich. It also holds interests in oil projects and exploration permits based in the Eromanga Basin of south west Queensland; and two onshore exploration permits in the Otway Basin of south western Victoria. In addition, the company engages in the port management, agriculture, marketing, and logistics activities. It has operations in Japan, Taiwan, China, Chile, Korea, Indonesia, Vietnam, India, Australia, and internationally. The company was founded in 1952 and is based in Brookwater, Australia. New Hope Corporation Limited is a subsidiary of Washington H. Soul Pattinson and Company Limited.
TerraCom Limited	TerraCom Limited engages in the exploration, extraction, and production of coal in Australia and Mongolia. It explores for hard coking, thermal, and Pulverised Coal Injection coal. The company primarily focuses on the Northern Galilee project comprising the Hughenden and the Pentland projects covering an area of approximately 2,160 square kilometres, as well as the Clyde Park project that covers an area of approximately 133 square kilometres located in the Galilee Basin, Queensland; and the Springsure project covering an area of approximately 1,178 square kilometres situated in the Central-Western Bowen basin coal mining district, Queensland. The company was formerly known as Guildford Coal Limited and changed its name to TerraCom Limited in November 2015. TerraCom Limited was founded in 2009 and is based in Clermont, Australia.
Universal Coal Plc (ASX:UNV)	Universal Coal Plc, a coal mining company, engages in acquisition, exploration, development, and commercialization of coal projects in the Republic of South Africa. The company holds interests in thermal coal projects, including 70.5% interest in the Kangala project located in the Witbank coalfield in Mpumalanga province; 49% interest in the New Clydesdale Colliery coal project situated in the Kriel district, North Block Complex project located in the west of Belfast in Mpumalanga province, and Ubuntu Colliery coal project located in the Delmas district; and 49% interest in Eloff project and 50% interest in the Arnot South project located in the Witbank coalfield. It also holds 50% interest in the Berenice/Cygnus coking coal projects situated in the Soutpansberg coalfield southwest of Musina. Universal Coal Plc was incorporated in 2002 and is based in London, the United Kingdom.

Source: S&P Capital IQ and BDO analysis

Descriptions for JSE-listed mining companies peer group

Company name	Company description
African Rainbow Minerals Limited	African Rainbow Minerals Limited, through its subsidiaries, operates as a diversified mining and minerals company in South Africa, Malaysia, and Papua New Guinea. It explores for platinum group metals, nickel, copper, coal, iron ore, manganese ore, chrome ore, and ferro manganese, as well as gold. The company is based in Sandton, South Africa.
Northam Platinum Limited	Northam Platinum Limited engages in mining, refining, marketing, and selling platinum group metals and its by-products in South Africa, Europe, Japan, Asia, and North America. It explores for platinum, palladium, rhodium, gold, iridium, ruthenium, silver, nickel, copper, cobalt, and chrome deposits. The company holds interests in the Booysendal mine covering approximately 17,950 hectares located on the eastern limb of the Bushveld complex; the Zondereinde mine covering approximately 7,625 hectares of land located in the northern portion of the western limb of the Bushveld complex; and the Eland mine covering approximately 3,982 hectares of land. Northam Platinum Limited was incorporated in 1977 and is based in Johannesburg, South Africa.
Impala Platinum Holdings Limited	Impala Platinum Holdings Limited engages in mining, processing, refining, and marketing platinum and associated platinum group metals (PGMs) in South Africa and Zimbabwe. It operates through Mining Operations, Refining Services, Chrome Processing, and Other segments. The company produces platinum, palladium, and rhodium, as well as nickel ores. It has operations on the PGM-bearing ore bodies, including the Bushveld Complex located in South Africa; and the Great Dyke situated in Zimbabwe. The company also provides smelting and refining services. Impala Platinum Holdings Limited is headquartered in Illovo, South Africa.
Assore Limited	Assore Limited, a mining holding company, engages in base minerals and metals ventures business. It is involved in mining iron, manganese, and chrome ores, as well as production of manganese and chrome alloys. The company also mines and manufactures for pyrophyllite products to produce high-precision components. It serves customers in the Far East, Europe, the United States, South Africa, and internationally. The company was incorporated in 1950 and is based in Johannesburg, South Africa. Assore Limited is a subsidiary of Oresteel Investments Proprietary Limited.
Royal Bafokeng Platinum Limited	Royal Bafokeng Platinum Limited, together with its subsidiaries, engages in mining and producing platinum group metals in South Africa. The company explores for platinum, palladium, gold, rhodium, iridium, ruthenium, nickel, copper, and cobalt. Its operations include the Bafokeng Rasimone Platinum Mine (BRPM), which consists of a North and South shaft, Styldrift, the BRPM Concentrator complex, and the Maseve concentrator plant. The company also completed a pre-feasibility study on its Styldrift II exploration project to the east of Styldrift. The company was incorporated in 2008 and is based in Johannesburg, the South Africa.

Source: S&P Capital IQ and BDO analysis

Descriptions for global-listed mining companies peer group

Company name	Company description
Anglo American Platinum Limited (JSE:AMS)	Anglo American Platinum Limited engages in the production and sale of platinum group metals, base metals, and precious metals in South Africa and internationally. It produces platinum, palladium, rhodium, ruthenium, iridium, and osmium, as well as nickel, copper, cobalt sulphate, sodium sulphate, gold, diamonds, iron ore, coal, and manganese. The company was formerly known as Anglo Platinum Ltd. and changed its name to Anglo American Platinum Limited in May 2011. The company was incorporated in 1946 and is headquartered in Johannesburg, South Africa. Anglo American Platinum Limited is a subsidiary of Anglo American South Africa Investments Proprietary Limited.
African Rainbow Minerals Limited (JSE:ARI)	African Rainbow Minerals Limited, through its subsidiaries, operates as a diversified mining and minerals company in South Africa, Malaysia, and Papua New Guinea. It explores for platinum group metals, nickel, copper, coal, iron ore, manganese ore, chrome ore, and ferro manganese, as well as gold. The company is based in Sandton, South Africa.
AngloGold Ashanti Limited (JSE:ANG)	AngloGold Ashanti Limited operates as a gold mining company. It also produces silver, uranium, and sulphuric acid; and dóre bars. The company operates 14 mines and 3 projects in 10 countries in South Africa, Continental Africa, the Americas, and Australasia. AngloGold Ashanti Limited was incorporated in 1944 and is headquartered in Johannesburg, South Africa.
Jupiter Mines Limited (ASX:JMS)	Jupiter Mines Limited engages in the development and operation of mineral resource properties in Australia and South Africa. It explores for iron ore and manganese deposits. The company's flagship project is the Tshipi Manganese mine located in South Africa. Jupiter Mines Limited is based in Perth, Australia.
Merafe Resources Limited (JSE:MRF)	Merafe Resources Limited engages in the mining and beneficiation of chrome ore into ferrochrome. The company was founded in 1987 and is headquartered in Bryanston, South Africa.
Orion Minerals Limited (ASX:ORN)	Orion Minerals Limited explores for, evaluates, and develops mineral properties in Australia and South Africa. The company primarily explores for gold, zinc, copper, nickel, silver, and cobalt, as well as platinum group metals and rare earth elements. It focuses on the Prieska, Marydale, Masiqhame, and Jacomynspan projects located in the Areachap Belt in the Northern Cape Province of South Africa; Fraser Range project located in Western Australia; and Walhalla project located in Victoria. Orion Minerals Limited was incorporated in 2001 and is headquartered in Melbourne, Australia.
Gem Diamonds Limited (LSE:GEMD)	Gem Diamonds Limited explores for and develops diamond mines. The company's flagship project is the Letšeng mine located in the Kingdom of Lesotho. It also manufactures, sells, and markets rough and polished diamonds. In addition, the company provides technical, financial, and management consultancy services. It serves markets in Lesotho,

Company name	Company description
	Botswana, Belgium, British Virgin Islands, Republic of South Africa, Cyprus, and the United Kingdom. The company was founded in 2005 and is headquartered in London, the United Kingdom.

Source: S&P Capital IQ and BDO analysis

Appendix 4 – Independent Valuation Report by SRK Consulting (Australasia) Pty Ltd

Independent Specialist Report on the Boikarabelo Coal Project, South Africa

Report Prepared for

Resource Generation Limited

Report Prepared by

SRK Consulting (Australasia) Pty Ltd

RGN001

January 2020

Independent Specialist Report on the Boikarabelo Coal Project, South Africa

Resource Generation Limited

PO Box 5384, Rietvalleirand, Pretoria 0174 South Africa

SRK Consulting (Australasia) Pty Ltd

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SRK Project Number RGN001

January 2020

Compiled by

Karen Lloyd
Associate Principal Consultant

Email: kllloyd@srk.com.au

Peer Reviewed by

Anthony Stepcich
Principal Consultant

Author:

Karen Lloyd

Executive Summary

Resource Generation Limited (Resgen or the Company) holds a 74% interest in Ledjadja Coal (Pty) Limited (Ledjadja), which owns the Boikarabelo coal project (Project) located in the Waterberg region of South Africa. Resgen's major shareholders include Public Investment Corporation (PIC), Shinto Torii Inc (Shinto) and Noble Group Limited (Noble). Resgen's shares are listed on the Australian Securities Exchange (ASX) (primary exchange, ticker code RES) and Johannesburg Stock Exchange (JSE) (secondary exchange, ticker code RSG).

Resgen commissioned BDO Corporate Finance (WA) Pty Ltd (BDO) to provide an Independent Expert Report (IER) for inclusion with a Notice of Meeting to assist non-associated shareholders with respect to a Proposed Transaction. The Proposed Transaction contemplates PIC, the Industrial Development Corporation of South Africa Limited (IDC) and Noble acquiring equity in Ledjadja at a nominal value of ZAR0.01 per share on the basis of committing to supply New Shareholder Loans specifically for funding the Project:

- PIC Shareholder Loan: ZAR100 million
- IDC Shareholder Loan: ZAR100 million
- Noble Shareholder Loan: ZAR30 million.

The New Shareholder Loans will be subordinated to all other financial indebtedness of Ledjadja, be interest free, unsecured, and rank ahead of all current shareholder loans to Ledjadja for the purposes of repayment. If the arrangements contemplated in the Proposed Transaction are completed and there are no other changes to the current equity interests in Ledjadja, then it is anticipated that the shareholder equity interests in Ledjadja would be:

- Resgen: 51%
- Fairy Wing Trading P/L: 26%
- PIC: 10%
- IDC: 10%
- Noble: 3%.

The Proposed Transaction requires shareholders' approval under ASX Listing Rule 10.1, as it will potentially represent the disposal of a significant asset to a related party. SRK Consulting (Australasia) Pty Ltd (SRK), in the role of Technical Specialist, has been requested by Resgen to provide an Independent Specialist Report (Report) which includes an independent technical assessment and valuation of aspects of the Project and the Project's related tenure. SRK was specifically engaged to prepare an independent opinion on the technical inputs underpinning the discounted cashflow model (Model) of the Project. Where warranted, SRK has modified production and capital and operating cost projections for use by BDO. These modifications are considered reasonable, based on the available technical data and SRK's experience. Additionally, SRK was engaged to prepare an opinion on the market value of the Project if Resgen decides to sell the Project to a third party on an arm's length basis without developing the Project.

SRK understands that its Report is to be included as an appendix to BDO's IER, which provides comment on the fairness and reasonableness of the Proposed Transaction.

This Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets – VALMIN Code (2015), which incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – JORC Code (2012).

In SRK's opinion, the Coal Resource and Coal Reserve estimates for the Project have been prepared to a sufficient quality standard and reported in accordance with the guidelines of the JORC Code (2012) or the JORC Code (2004) and are considered to be reasonable.

SRK has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code (2012) or the JORC Code (2004) in respect of the Coal Resources and Coal Reserve estimates presented in this Report.

In preparing this Report, SRK has considered various valuation methods within the context of the VALMIN Code (2015). The Project is considered to be a Pre-Development Project.

The valuation method applied depends on the relative maturity of assessment for each project, as well as the reasonableness of the available supporting information. SRK has considered the three main approaches (income, market and cost) as well as the available methodologies under each approach.

SRK's recommended valuation ranges are detailed in the Valuation section (Section 7) of this Report and are summarised in Table ES-1.

All monetary figures used in the Report are expressed in either South African rand (ZAR), Australian dollar (A$) or United States dollar (US$) terms. The final valuation is presented in United States dollar terms. The Report has adopted an effective valuation date of 1 January 2020.

Table ES-1: Summary of SRK's valuation of the coal assets at the Boikarabelo Project at 1 January 2020 on an undeveloped basis (100% basis)

Asset	Valuation method	Low (US$ M)	High (US$ M)	Preferred (US$ M)
Boikarabelo JORC Code (2012) Measured and Indicated Coal Resources considered in the Model but on an undeveloped basis	Comparable transaction analysis	35	114	75
	Yardstick	43	91.5	67.3
	Selected	**35**	**114**	**75**
Boikarabelo JORC Code (2012) Measured and Indicated Coal Resources not considered in the Model and on an undeveloped basis	Comparable transaction analysis	35	114	75
	Yardstick	43	91.5	67.3
	Selected	**35**	**114**	**75**
Boikarabelo JORC Code (2004) Coal Resources not considered in the Model (Inferred)	Comparable transaction analysis	30	67	48
	Yardstick	40	78.4	59.2
	Selected	**30**	**73**	**52**
	Valuation Range	100	301	201

Note: Any discrepancies between values in the table are due to rounding.

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Resource Generation Limited (Resgen). The opinions in this Report are provided in response to a specific request from BDO on behalf of Resgen to do so. SRK has exercised all due care in reviewing and assessing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's assessment, and those reasonably foreseeable as at the date of this Report.

Abbreviations

A$	Australian dollar
AIG	Australian Institute of Geoscientists
Altius	Altius Investment Holdings
Apex	Apex Resources Holdings Inc.
ASX	Australian Securities Exchange
AusIMM	Australasian Institute of Mining and Metallurgy
BDO	BDO Corporate Finance (WA) Pty Ltd
CHPP	Coal Handling and Processing Plant
CIMVAL	Standards and Guidelines for Valuation of Mineral Properties Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties
Deswik	Deswik Mining Consultants
EPC	Engineer Procure Construct
ERM	Environmental Resources Management Southern Africa (Pty) Ltd
FOB	free on board
GAR	gross as received
GeoMech	GeoMech Consulting (Pty) Ltd
IDC	Industrial Development Corporation of South Africa
IER	Independent Expert Report
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JSE	Johannesburg Stock Exchange
kcal/kg	kilocalories per kilogram
kV	kilovolts
LD	large diameter
Ledjadja	Ledjadja Coal (Pty) Ltd (Ledjadja)
M	million
MJ/kg	megajoules per kilogram
MPDRA	Minerals and Petroleum Development Act
MPRR	Mineral and Petroleum Resources Royalty
Mt	million tonnes
MTIS	mineable tonnes in situ
Mtpa	million tonnes per annum
MVA	megavolt amperes

MW	megawatts
NAR	net as received
NEMA	National Environmental Management Act
Noble	Noble Group
PIC	Public Investment Corporation
Resgen	Resource Generation Limited
ROM	run-of-mine
SARS	South African Revenue Service
SRK	SRK Consulting (Australasia) Pty Ltd
TFR	Transnet Freight Rail
tph	tonnes per hour
US$	United States dollar
VALMIN Code	Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets
Wood Mackenzie	Wood Mackenzie Limited
ZAR	South African rand

1 Introduction

Resource Generation Limited (Resgen or the Company) holds a 74% interest in Ledjadja Coal (Pty) Limited (Ledjadja), which owns the Boikarabelo coal project (Project) located in the Waterberg region of South Africa. Resgen's major shareholders include Public Investment Corporation (PIC), Shinto Torii Inc (Shinto) and Noble Group Limited (Noble). Resgen's shares are listed on the Australian Securities Exchange (ASX) (primary exchange, ticker code RES) and Johannesburg Stock Exchange (JSE) (secondary exchange, ticker code RSG).

Resgen commissioned BDO Corporate Finance (WA) Pty Ltd (BDO) to provide an Independent Expert Report (IER) for inclusion with a Notice of Meeting to assist non-associated shareholders with respect to a Proposed Transaction. The Proposed Transaction contemplates PIC, the Industrial Development Corporation of South Africa Limited (IDC) and Noble acquiring equity in Ledjadja at a nominal value of ZAR0.01 per share on the basis of committing to supply New Shareholder Loans specifically for funding the Project:

- PIC Shareholder Loan: ZAR100 million
- IDC Shareholder Loan: ZAR100 million
- Noble Shareholder Loan: ZAR30 million.

The New Shareholder Loans will be subordinated to all other financial indebtedness of Ledjadja, be interest free, unsecured, and rank ahead of all current shareholder loans to Ledjadja for the purposes of repayment. If the arrangements contemplated in the Proposed Transaction are completed and there are no other changes to the current equity interests in Ledjadja, then it is anticipated that the shareholder equity interests in Ledjadja would be:

- Resgen: 51%
- Fairy Wing Trading P/L: 26%
- PIC: 10%
- IDC: 10%
- Noble: 3%.

SRK Consulting (Australasia) Pty Ltd (SRK), in the role of Technical Specialist, has been requested by Resgen to provide an Independent Specialist Report (Report). SRK understands that its Report is to be included as an appendix to BDO's IER, which provides comment on the fairness and reasonableness of the Proposed Transaction.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

For the purpose of this valuation, the Project and the Project's related tenure was classified in accordance with the categories outlined in the VALMIN Code (2015):

- **Early-Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken

on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

- **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a pre-feasibility study (PFS).
- **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants that have been commissioned and are in production.

Based on its review of the available technical data relating the Resgen's mineral assets, SRK considers the Project best represents a Pre-Development Project, with the surrounding landholdings classified as Advanced Exploration tenure as per the VALMIN Code (2015) definitions.

1.1 Nature of the brief and summary of principal objectives

SRK was instructed by BDO but is engaged by Resgen to prepare the Report. The Report is to be included as an appendix to BDO's IER, which will provide an opinion on the fairness and reasonableness of the Proposed Transaction.

SRK was engaged to prepare of an independent opinion on the technical inputs underpinning the discounted cashflow model (Model) of the Project. Where warranted, SRK has modified production and capital and operating cost projections for use by BDO. These modifications are considered reasonable, based on the available technical data and SRK's experience.

Additionally, SRK was engaged to prepare an opinion on the market value of the Project Additionally, SRK was engaged to prepare an opinion on the market value of the Project if Resgen decides to sell the Project to a third party on an arm's length basis without developing the Project.

Key areas reviewed by SRK include:

- Coal Resource estimates and Coal Reserve estimates incorporated in the Model
- The reasonableness of any timing assumptions incorporated in the Model
- Mining physicals (including tonnes of ore mined, ore grade mined and waste material)
- Processing physicals
- Operating and closure costs
- Capital expenditure
- Royalties
- Coal Resource estimates and Coal Reserve estimates not incorporated in the Model
- Advanced Exploration tenure associated with the Project
- Any other material technical assumptions not specified above.

SRK has selected the most appropriate valuation techniques based on the maturity of the Project and the Project's related tenure and the available information. This Report expresses an opinion regarding the value of the Project as directed in SRK's mandate from BDO. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these mineral interests and any other parties.

1.2 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). The authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC codes.

For the avoidance of doubt, this report has been prepared according to:

- The 2015 edition of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code)
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

As per the VALMIN Code, a first draft of the report was supplied to Resgen and BDO to check for material error, factual accuracy and omissions before the final report was issued. The final report was issued following review of any comments by the project team.

For the purposes of this Report, value is defined as 'market value', being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

1.3 Work program

The work program began in July 2019 and was completed in January 2020. SRK reviewed and assessed publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Market Intelligence database services. Resgen information was uploaded to an online data room and SRK consultants assessed the datasets, the Model and completed research on comparable market transactions to assist with the valuation.

1.3.1 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations in regard to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has sighted documentation provided by Herbert Smith Freehills, an independent legal firm located in South Africa. The documentation indicates that Ledjadja has the legal rights to the Coal Resources which are the subject of this Report.

1.4 Effective Date

The Effective Date of this Report is 1 January 2020.

1.5 Project team

This Report has been prepared based on a technical assessment by a team of consultants from SRK's offices in Australia and South Africa. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out in the below:

Table 1-1: Project team

Consultant	Position/ Company	Responsibility	Length and Type of Experience	Date of last site visit	Professional designation
Karen Lloyd	Associate Principal Consultant (Project Evaluation)/ SRK Consulting (Australasia) Pty Ltd	Project Manager Section 1 (Introduction) Section 2 (Project Overview) Section 6 (Infrastructure) Section 7 (Other Considerations) Section 8 (Valuation)	24 years. 8 years in operations, 7 years in strategic planning, 3 years in funds management, 6 years in consulting	None	BSc (Hons), MBA, FAusIMM
Lesley Jeffrey	Principal Consultant (Coal Geology)/ SRK Consulting (South Africa) Pty Ltd	Section 3 (Geology and Coal Resources)	30 years in technical advisory, academia and consulting.	January 2018	Pr.Sci.Nat. 400115/01 BSc(Geol), MSc (MinEng – Coal Science)
Anthony Stepcich	Principal Consultant (Mining), SRK Consulting (Australasia) Pty Ltd	Peer Review Section 4 (Mining)	25 years. 10 years in operations and 15 years in consulting	None	BEng, MSc, Grad Dip, Dip, FAusIMM(CP)
Peter Hand	Associate Consultant (Coal Processing)/ SRK Consulting (South Africa) Pty Ltd	Section 5 (Processing)	40 years. 23 years in consulting and 17 years in production and operational management	None	BSc (Hons) Mineral Processing

1.6 Limitations, reliance on information, declaration and consent

1.6.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Resgen throughout the course of SRK's investigations as described in this Report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by Resgen was taken in good faith by SRK. SRK has not independently verified the Coal Resource or Coal Reserve estimates by means of recalculation.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Resgen was complete and not incorrect, misleading or irrelevant in any material aspect.

Resgen has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of their knowledge and understanding, the information provided by Resgen was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.6.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Resgen regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

1.6.3 Indemnities

As recommended by the VALMIN Code (2015), Resgen has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by either Resgen or its related parties not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.6.4 Consent

SRK consents to this Report being included, in full, in BDO and Resgen’s documents in the form and context in which the Report is provided, and not for any other purpose. SRK provides this consent on the basis that the independent market valuation expressed in the Executive Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete Report.

1.6.5 Consulting fees

SRK’s estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK’s knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$35,000. The payment of this professional fee is not contingent on the outcome of this Report.

2 Project Overview

The Project is situated within the Lephalale Local Municipality of the Waterberg District Municipality in the Limpopo Province of South Africa along the border with Botswana. The nearest provincial town is Lephalale which is approximately 70 km east of the Project (Figure 2-2).

2.1 Status of Tenure

Table 2-1 presents the Project's status of tenure. The Project comprises one granted mining right (LP 30/5/1/1/2/169 MR) for the exploitation of Coal Resources (Mining Right). The Mining Right was granted to Ledjadja in April 2011 and will expire in 19 April 2044. The Mining Right covers an area of approximately 9,018 ha. Surface Rights have been purchased over six farms covered by the Mining Right. Surface Rights have also been purchased over four additional farms which have been identified for future infrastructure requirements (Surface Rights).

SRK understands a land claim is registered on the farm Kalkpan 243LQ, which forms part of the Mining Right. Additionally, land claims have also been registered on three farms which do not fall within the area covered by the Mining Right. The land claims were registered outside of the allowable approval timeframe and SRK understands that Ledjadja will deal with each claim as they progress.

No rents, security bonds, reclamation liabilities or third-party obligations are due on the Mining Right. A surface lease agreement is in place between Ledjadja and Resgen South Africa Pty Ltd for all the farms covered by the Mining Right and the additional farms along a proposed infrastructure corridor.

Table 2-1: Status of tenure - LP 30/5/1/1/2/169 MR

Farm	Area (ha)	Area Name	Grant Date	Expiry Date	Status	Rates per month (ZAR)
Witkopje 238LQ	1,701	Ledjadja #1	19 April 2011	19 April 2044	Pre-Development	755.26
Draai Om 244LQ	1,069	Ledjadja #2	19 April 2011	19 April 2044	Advanced Exploration	434.62
Kalkpan 243LQ	1,273	Ledjadja #3	19 April 2011	19 April 2044	Pre-Development	520.12
Osorno 700LQ (includes Kruispad 242LQ)	1,291	Ledjadja #4	19 April 2011	19 April 2044	Advanced Exploration (No Surface Rights)	N/A
Zeekoevley 241LQ	1,265	Ledjadja #5	19 April 2011	19 April 2044	Advanced Exploration	541.50
Vischpan 274LQ	1,243	Ledjadja #6	19 April 2011	19 April 2044	Advanced Exploration	281.04
Kruishout 271LQ	1,176	Ledjadja #7	19 April 2011	19 April 2044	Advanced Exploration	498.75

Note: 100% Ledjadja Coal (Pty) Ltd and Resource Generation Limited 74%.

A Mining Right application for the Waterberg #1 area was lodged at the end of 2015 and Resgen is awaiting the outcome of this process. Waterberg #1 encompasses the farm Koert Louw Zyn Pan and is adjacent to the Project.

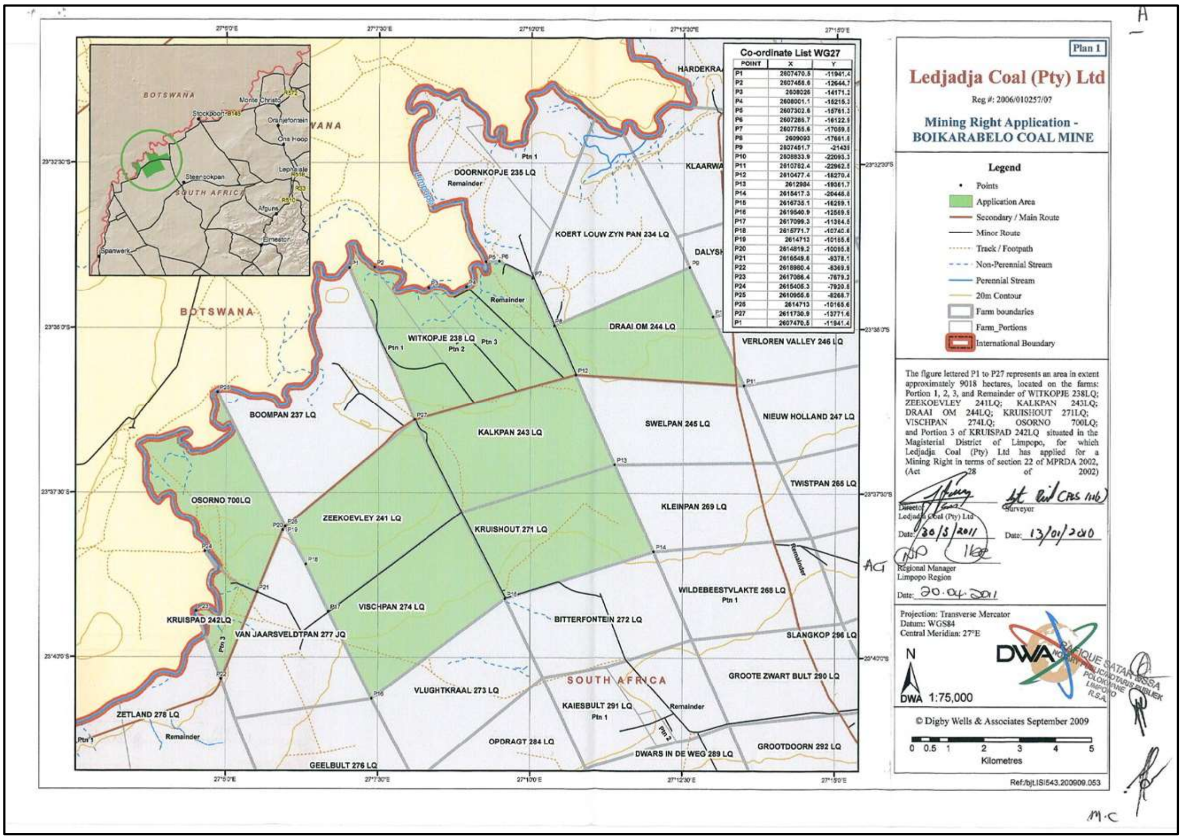


Figure 2-1: Tenement map

SRK has sighted documentation provided by Herbert Smith Freehills, an independent legal firm in South Africa. The documentation indicates that Ledjadja has the legal rights to the Coal Resources which are the subject of this Report. SRK has made all reasonable enquiries into the status of the subject tenures as at the date of this Report.

SRK makes no other assessment or assertion as to the legal title of the tenements and is not qualified to do so.

2.2 Access and infrastructure

Access to the Project is via gravel roads from the town of Steenbokpan, with a sealed road linking Steenbokpan with Lephalale.

The Project is approximately 50 km to the west of a rail head at the Medupi power station, which is connected to the Richards Bay Coal Terminal.

Resgen intends to connect the Project to the main Transnet railway line south of the Medupi power station by a rail servitude.

SRK understands that various additional agreements are in place to ensure access to the entire length of the planned railway route, and land not owned by Ledjadja has notarial servitudes registered for rail, water and power.

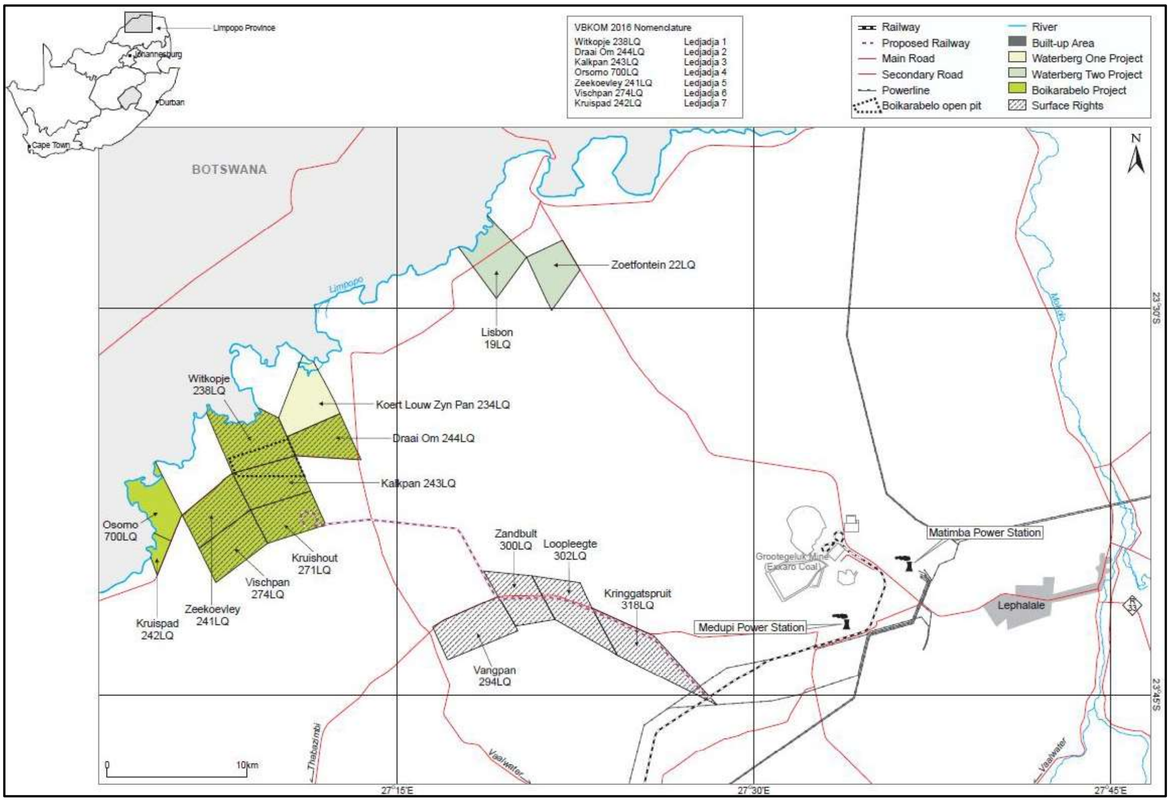


Figure 2-2: Project location

Source: Venmyn Deloitte (2018)

Connection to national grid power has been established and a substation has been built at the Project site.

Water supply in the region is limited. Ledjadja has agreements and servitudes in place to ensure future raw water supply requirements from the Maropeng sewerage works.

The Project area is influenced by the local steppe climate and the average temperature in Lephalale is 21.1 °C, with an average rainfall of approximately 400 mm. The annual average maximum temperatures range from 22.3 °C in June to 31.9 °C in January. Monthly precipitation varies between the driest month, June, with no rainfall, and the wettest month, January, with approximately 80 mm. Exploration and construction activities are unimpeded throughout the year.

2.3 Site inspection

In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection to the Project was undertaken by Ms Lesley Jeffrey of SRK Consulting (South Africa) (Pty) Ltd in January 2018. Since January 2018, no material site-based development has been completed and a further site visit is not likely to reveal any additional information that is material to the Report. The observations made during the site visit have been considered in the preparation of the Report.

2.4 Royalties and material contracts

2.4.1 Royalties

Government royalties due from the Project, in addition to those negotiated as part of future commercial contracts, will be royalties being collected by the South African Revenue Service (SARS) and paid to the National Revenue Fund.

The government royalty rate is determined according to a formula contemplated in subsections (1) and (2) of section 4 of the *Mineral and Petroleum Resources Royalties Act, 2008*. Known as the

Mineral and Petroleum Resources Royalty (MPRR), the rate applicable to the Project's unrefined coal products is currently set at a minimum of 0.5% and a maximum of 7%.
The percentage formula is:

0.5 + [earnings before interest and taxes/ (gross sales in respect of unrefined mineral resources x 9)] × 100.

Registered MPRR entities are eligible to make up to three payments in respect of their MPRR liability as follows:

- First payment – 50% of estimated liability for year (based on management accounts) – six months after start of financial year
- Second payment – other 50% of estimated liability (based on management accounts) – at financial year end
- Third payment – final liability settlement (opportunity to correct and settle final liability for year – Based on audited accounts) – six months after year end.

All payments to SARS in respect of MPRR payments qualify as non-taxable income.

An additional royalty of ZAR2 per tonne of coal shipped (up to a limit of ZAR30 million) is payable to Apex Resources Inc.

2.4.2 Material contracts

On 21 November 2019, Resgen announced that a Transportation of Coal Agreement (TCA) with Transnet SOC Limited (acting through Transnet Freight Rail) (Transnet) to deliver 3.6 Mtpa of export quality coal to the Richards Bay Coal Terminal (RBCT) on a 'take or pay' basis had been executed. The binding TCA has a 10-year term commencing from 1 June 2022. Conditions precedent to the agreement are:

- Completion of an unconditional funding agreement for the 44 km rail link to the Transnet main line
- Completion of an unconditional port capacity agreement
- Construction of the rail link by 31 January 2022 and the commissioning of the Project by 30 May 2022
- Construction of the Revised Stage 2-3 of the Waterberg Expansion Programme by Transnet by 1 June 2020
- Finalisation of a Service Level Agreement in relation to the TCA.

On 5 December 2019, Resgen announced that principal binding Project Funding Agreements (PFAs) for the construction of the Project with three funders within a Lending Syndicate had been executed. The members of the lending syndicate are the Government Employees Pension Fund and the Unemployment Insurance Fund, (both managed by the Public Investment Corporation SOC Limited (PIC)), the Industrial Development Corporation of South Africa Limited (IDC) and Noble Resources International Pte Ltd (Noble).

The Project Funding Agreements contemplate that Ledjadja Coal will be the borrower in respect of any funds advanced by the Lending Syndicate with the Company, Ledjadja Coal and a number of the Company's other subsidiaries providing security for these advances. The funding package has a debt component (comprising a senior secured debt and a mezzanine debt facility) and an equity component, both of which are the subject of a number of underlying agreements.

The PFAs exclude a working capital facility. Additionally, the construction of the rail link is not part of the Project and the funding for this rail link will not form part of the Project funding.

Several additional material contracts which are in place at the Project. These material contracts support coal production at the Project for a 21-year period, using approximately 50% of the saleable Coal Reserve as detailed in Section 4 of this Report:

- An Ancillary Works Programme (AWP) for mine infrastructure, road construction and discard dump contract with Sedgman South Africa (Pty) Ltd (excludes discard dump rehabilitation)
- An Engineering Procurement and Construction (EPC) Contract for the Coal Handling and Processing Plant (CHPP) with Sedgman South Africa (Pty) Ltd
- A Road and infrastructure Agreement with Roads Agency Limpopo SOC Limited
- A Power supply agreement with Eskom Hld SOC Ltd (Eskom).

SRK notes that a domestic coal offtake agreement with Eskom is still under negotiation and that the contract has not yet been finalised as at 1 January 2019. Further detail is given in Section 7 of this Report.

A draft mining services contract with Stefanutti Stocks Mining Services (Proprietary) Limited is in place.

2.5 History

In December 2008, Resgen purchased the shares of Apex Resources Holdings Inc. (Apex) from Saber Energy Corp. Apex held a 49% joint venture interest in a coal exploration permit covering seven farms which now comprise the Project. Apex was subsequently dissolved, and the royalty was transferred to its parent company, Talon Metals Corporation.

In January 2010, Resgen announced a joint venture estimate of 300 Mt of Probable Saleable Coal further to a year-long exploration and drilling campaign.

Between 2011 and 2014, Resgen commissioned several technical feasibility studies and commenced infrastructure development for the Project.

By the June 2015 quarter, all regulatory consents, land, rail haulage and port access contracts required for an initial mining phase were in place.

In January 2017, Resgen reported updated a JORC Code (2012) Coal Resource estimate (inclusive of Coal Reserves) for the Witkopje South and Kalkpan zones of 995 Mt. Saleable Coal Reserves were reported as 267 Mt. An updated Independent Technical Report on the Project was commissioned at this time.

During the June 2018 quarter, Resgen reported a Coal Reserve of 267 Mt for the Project and commissioned an updated Independent Technical Report. Table 2-2 presents a summary of the key technical studies completed for the Project to date.

Table 2-2: Summary of key technical studies completed to date

Year	Author	Report Title
2018	Venmyn Deloitte (Pty) Ltd	Independent Technical Report on Ledjadja (Pty) Ltd's Boikarabelo Waterberg Coal Project
2017	Venmyn Deloitte (Pty) Ltd	Independent Technical Report on Ledjadja (Pty) Ltd's Boikarabelo Waterberg Coal Project
2016	VBKOM (Pty) Ltd	Independent Competent Person's Report – Coal Resources/ Coal Reserves for the Boikarabelo Coal Mine operated by Ledjadja Coal (Pty) Limited in the Limpopo Province of South Africa
2016	Venmyn Deloitte (Pty) Ltd	Interim Independent Technical Report on Ledjadja (Pty) Ltd's Boikarabelo Waterberg Coal Project

Year	Author	Report Title
2014	Venmyn Deloitte (Pty) Ltd	Independent Technical Review of Ledjadja's Boikarabelo Waterberg Coal project for RMB
2013	Venmyn Deloitte (Pty) Ltd	Independent Technical Review of Ledjadja's Boikarabelo Waterberg Coal Project for Burnvoir Corporate Finance Limited
2013	Venmyn Deloitte (Pty) Ltd	High Level Technical and Commercial Review of RGL's 'Waterberg Coal Project', including the Boikarabelo Project, for CESC India
2012	GeoCoal Services (Pty) Ltd	New Combined Competent Persons Report on the Boikarabelo Coal Project including Waterberg One
2012	GeoCoal Services (Pty) Ltd	Update on the Independent Persons' Report on the Boikarabelo Coal Project and Waterberg One Coal Project
2010	Venmyn Deloitte (Pty) Ltd	Independent Technical and Economic Review of Ledjadja's Coal Assets in the Waterberg Coalfield of South Africa, for Integrated Coal Mining Ltd

2.6 Proposed project

The proposed mining operation will use conventional open pit methods, using a drill-blast-truck-shovel terrace mining strategy to extract the Coal Reserve. While no mining activity has commenced, numerous infrastructural developments in preparation for mining have been completed, and the Project is classified as a Pre-Development Project in accordance with VALMIN Code (2015) terminology. The Project's related tenure outside of the proposed mining area can be classified as an Advanced Exploration Project.

The principal components of the Project are as follows:

- Measured and Indicated Coal Resources (inclusive of Coal Reserves) in accordance with JORC Code (2012) guidelines are 995 Mt within a proposed mining area.
- An additional 1,479.6 Mt of Measured, Indicated and Inferred historical Coal Resources on related tenure outside of the proposed mining area, reported in accordance with JORC Code (2004) guidelines.
- A target production rate of 15 Mtpa throughput to produce approximately 6 Mtpa of product based on marketable Coal Reserves of 267 Mt reported in accordance with JORC Code (2012) guidelines.
- Coal handling and processing using a traditional wash-plant process (CHPP), allowing for domestic and export quality coal products to be stacked and re-claimed for dispatch from the Project site via a 44 km-long rail loop connecting to the head of the railway leading to the RBT-Grindrod (RBTG) Coal Terminal.
- A financial model which considers the first 21 years of planned production, supported by construction contracts, a 4-year CHPP operating contract, a 10-year coal transportation contract and a draft 8-year mining contract:
    - An initial CHPP capital cost of approximately ZAR2.44 billion (nominal)
    - An Initial civil and infrastructure capital cost of approximately ZAR1.1 billion (nominal)
    - A capital cost estimate of approximately ZAR5.0 billion (nominal) which includes sustaining capital
    - A LOM operating cost of approximately ZAR198 billion (nominal)
    - Gross revenue of approximately ZAR305 billion (nominal).

3 Geology and Coal Resources

3.1 Geological setting

The Project is situated on the western edge of the Waterberg Coalfield (coalfield) immediately adjacent to the Limpopo River and the country border with Botswana (Figure 3-1). The flat-lying sedimentary coalfield strikes approximately west and is 90 km long by 40 km wide. The coalfield is fault bounded to the north and south, with downthrow to the north in excess of 300 m. To the south and west, the coal measures overlie the basement rocks, with the overburden extending to approximately 20 m below the surface. Numerous faults are found throughout the coalfield, with the major faults resulting in extensive areas of deep coal (>250 m) in the central and extreme southern areas, and a band of outcropping coal measures that broadens to the western edge of the coalfield where the Project is located.

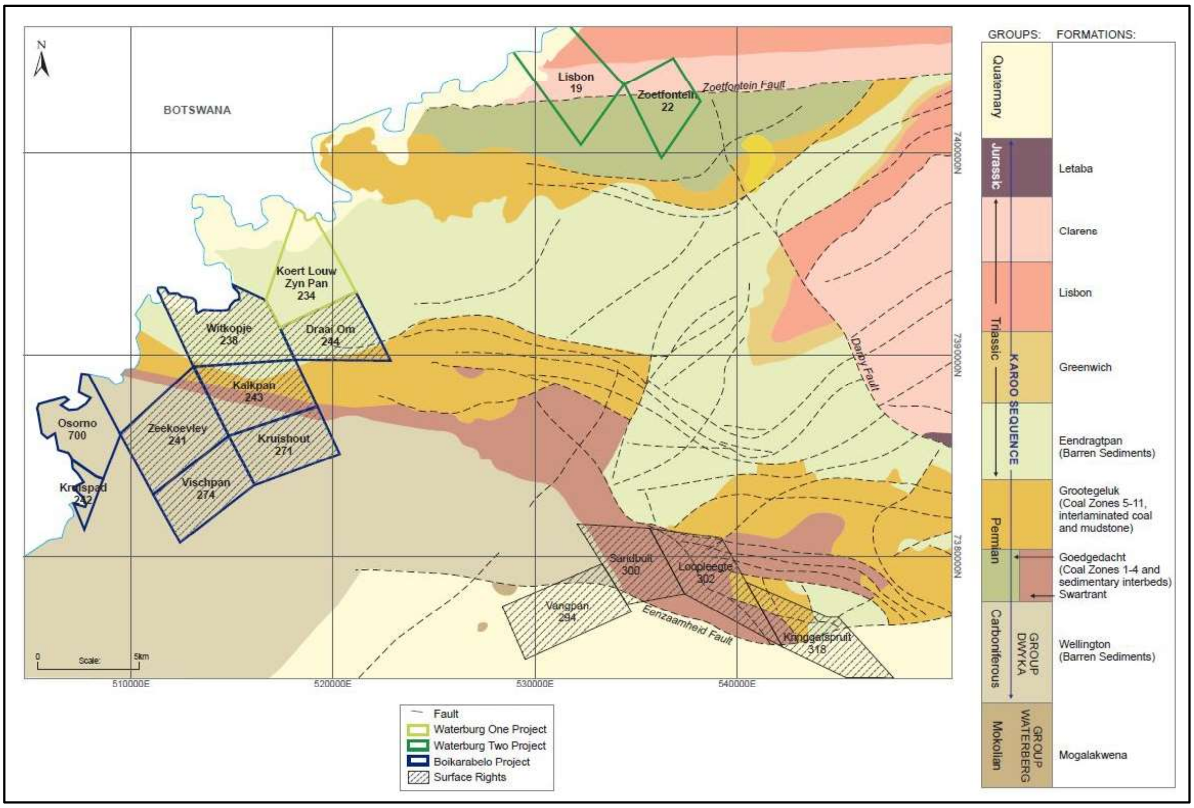


Figure 3-1: Regional geology

The coal is found in two sedimentary formations of the Permian-age Ecca Group of the Karoo Supergroup, as follows:

- The lower ± 55 m thick Goedgedacht Formation where dull black thermal coal occurs as discrete seams (Zones 1–4), separated by sandstone or shale
- The upper ± 60 m thick Grootegeluk Formation where bright black thermal coal is finely intercalated with mainly carbonaceous mudstones and minor siltstones and sandstones in zones between 6.5 m and 14 m thick (Zones 5–11).

All 11 zones have been intersected during exploration drilling; Zones 1–4 range in thickness from 0.5 m to 4.5 m, while Zones 5–11 are between 4 m and 17 m thick on average. All zones except Zone 1 and Zone 3 are developed throughout the mining area. Zone 1 (the lowermost zone, ~1 m thick) is only developed in the south-eastern part of the mining area and is excluded from the Coal Resource and Coal Reserve estimates, while Zone 3 only occurs in the western part of the mining area (~0.5 m thick). The average depth to the base of Zone 2 from surface within the mining footprint is approximately 140 m. The zone extent is limited to the south by the onlap of the coal-bearing sediments onto the basement rocks, resulting in the sequential thinning and subcrop of the zones below the surface cover of Kalahari sand (average depth of cover is 20 m). The coal measures dip to the north and are not affected by faulting within the planned mining area, although, faulting outside the mining area has resulted in uplift and erosion of the coal in places. No igneous intrusions have been intersected during exploration and no areas of devolatilisation were indicated by the dry ash free (DAF) volatile content of the coal.

A typical stratigraphic sequence for the Project is shown in Figure 3-2.

		Zone	Sample Numbers	Average Thickness
UPPER ECCA GROUP	VOLKSRUST/GROOTEGELUK FORMATION		Overburden	19.4
		ZONE 11	1BC	0.71
			1CS	1.14
			1C	0.78
			1D	2.03
		ZONE 10	2	2.52
			3	2.6
			4	2.72
			5	2.16
			6	2.36
		ZONE 9	7	2.37
			8	1.8
			9	1.09
		ZONE 8	10	1.86
			11	2.79
			12	3.14
			13	2.29
			14	1.95
		ZONE 7	15A	2.44
			15B	2.55
			16	2.33
			17	2.4
			18	2.52
		ZONE6	19	1.29
			20	1.19
			21	0.72
		ZONE 5	22A	4.13
			22B	4.01
			22C	4.49
			22D	4.65
			22E	3.73
			22FS	0.63
MIDDLE ECCA GROUP	VRYHEID/GOEDGEDACHT FORMATION	ZONE 4	23A	1.53
			23B	1.9
		INTERBEDS	23AS	2.18
			23BS	2.23
		ZONE 4A	24	3.36
		INTERBEDS	24S	1.42
			25	2.75
			25S	1.54
		ZONE 3	26	2.5
			27	2.75
		INTERBEDS	Sandstone	17.02
		ZONE 2	28	1.97
			29	1.88
		INTERBEDS	Sandstone	13.85
		ZONE 1	30	1.22

Figure 3-2: Typical stratigraphic sequence

3.2 Coal Resources

In January 2017, Resgen reported Coal Resource estimates for the Project in accordance with the guidelines set out in the JORC Code (2004) and JORC Code (2012).

The geological domains were modelled on a 50 by 50 m grid for structure, quality and geostatistical estimation completed using Geovia Minex™ software. The geological model was validated using contour plans of zone thickness, roof and floor depths and coal qualities, with the aid of transverse and longitudinal sections to ensure correct correlation of zones and structural interpretation.

Two coal products will be made at the Project – a primary product for export at 14% ash and 25.7 MJ/kg and a secondary product for domestic use at 31.4% ash and 19.5 MJ/kg.

The Coal Resource estimates (Table 3-1) exclude the waste material intercalated with the coal and are inclusive of the Coal Reserves noted in Section 4.3 of this Report.

Table 3-1: Coal Resources (mineable tonnes in situ basis)

Farm	Area	JORC Code	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	2017 Total (Mt)
Witkopje 238LQ, Kalkpan 243LQ	Mining area	2012	-	84.0	910.8	994.8
Witkopje 238LQ, Kalkpan 243LQ, Draai Om 244LQ	Exclusive of mining area	2004	1479.6			1479.6
		Total	**1479.6**	**84.0**	**910.8**	**2,474.4**

Source: Modified from Resgen ASX Release 23 January 2017.

Coal Resources within the planned mining area are reported as Measured – 92% of the mineable tonnes in situ (MTIS) or Indicated (8% of the MTIS), based on the following criteria and cut-off values:

- Physical and quality Points of Observation from cored drill holes at 500 m and 1,000 m spacing for the Measured and Indicated categories, respectively, although typical industry-wide drill hole spacing for Measured Coal Resources in this type of deposit is lower (350 m).
- Lateral variation in coal zone continuity and ash content was examined by variogram analysis to satisfy the requirements of the JORC Code (2012); the analysis indicated that there is minor variability in the raw ash content for drill hole spacing between 250 m and 700 m, indicating that a 500 m drill hole spacing is sufficient for coal quality estimation.
- Minimum seam thickness of 0.50 m.
- Raw ash content of less than 65%; this should be on a dry basis, not air dry; the use of air dry values underestimates the ash content by approximately 1%–2% for this type of deposit.
- Confidence in drill hole collar position, coal quality analysis and structural interpretation.
- Wireline logs were used to correlate the identified coal zones.
- Coal extent is constrained by the subcrops, the extrapolation limits of the geological model, the base of oxidation (i.e. no weathered coal is included in the estimates) and the 100-year flood line of the Limpopo River.
- Geological losses of 10% applied to account for any undetected discontinuities.
- As the theoretical mining height is similar to the zone thickness (i.e. full extraction), no discount was applied to derive the MTIS.

Average coal qualities have not been presented for the classified Coal Resources, although coal qualities per zone are given in the various study reports. To ensure transparency in future public reporting documents, SRK recommends that the average coal qualities for each Coal Resource category be reported.

Coal Resources were estimated by converting the volumes into tonnages using the air dry Relative Density, which is unusual. In situ Relative Density should be used to convert volumes into tonnages. Using the air dry Relative Density is likely to result in an overestimation of the Coal Resources of between 2% and 5%.

While SRK considers that this is not material to the Coal Resource estimate, it could translate into close to six months' production over the planned 41-year mine life.

The data, geological model and Coal Resource estimates for the mining area have been reviewed by external parties on a number of occasions. The most recent review in July 2018 by Venmyn Deloitte endorsed the Coal Resource estimate completed by VBKOM in December 2016. The Competent Person for the Coal Resource estimate was Riaan Joubert of Ledjadja.

SRK considers the reported Coal Resources at the Project present a reasonable prospect for eventual economic extraction and can be adapted unmodified for valuation purposes. The Coal Resource estimates within the planned mining area have been reported to a sufficient quality standard under JORC Code (2012) reporting guidelines. The Coal Resource estimate outside of the proposed mining area have not been updated in accordance with the JORC Code (2012) as no further exploration drilling has been completed since the 2010 Coal Resource estimate was reported (Figure 3-3).

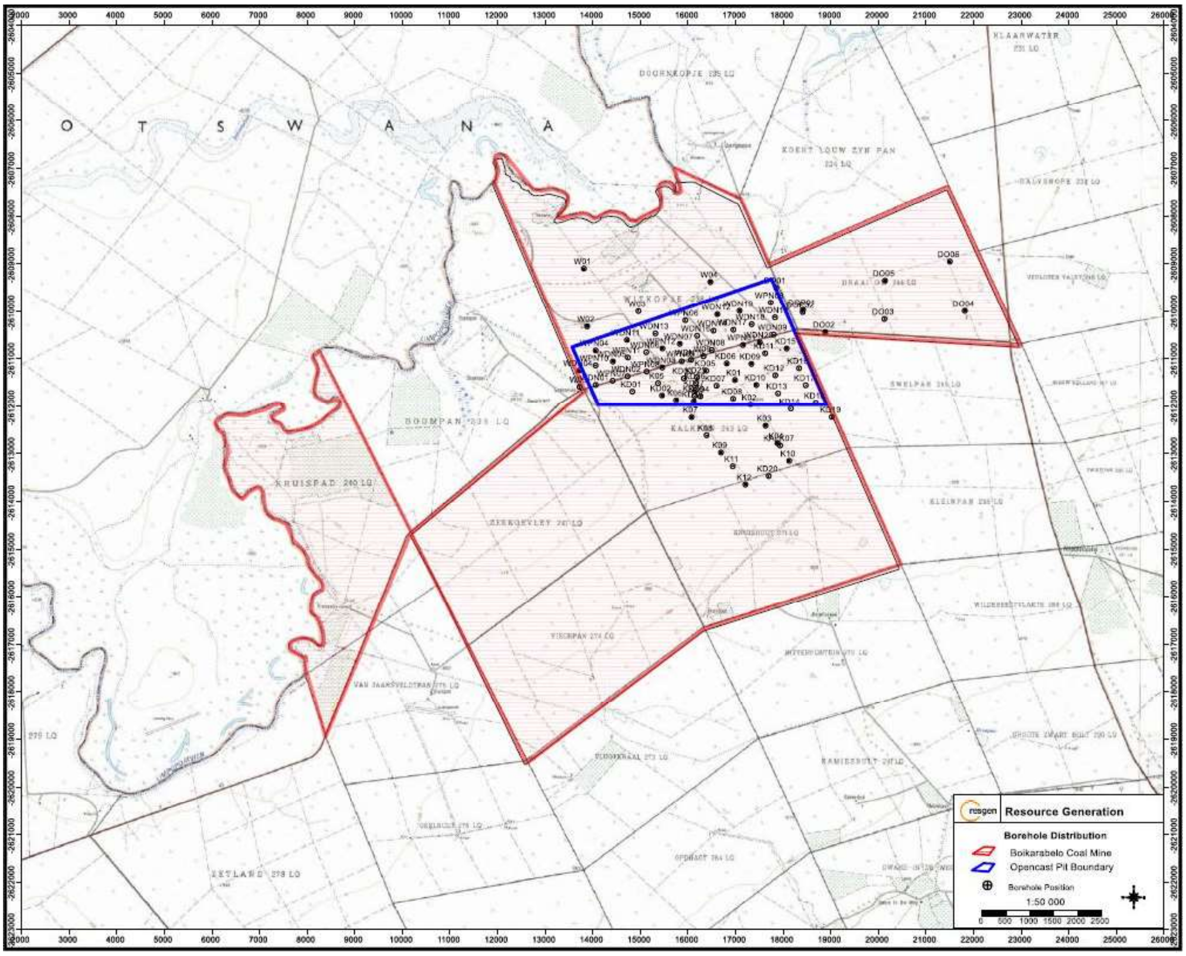


Figure 3-3: Locality plan of mining area (blue outline) with drill hole locations

Source: VBKOM (2016).

4 Mining

The intended mining method for the Project is conventional open pit mining, using a drill-blast-truck-shovel terrace mining strategy. The proposed mining method is very similar to that used at the neighbouring Grootegeluk coal mine. In SRK's opinion, the chosen mining method is well known and presents a low risk strategy. The Project is at the Pre-Development stage and there is has been no historical production at the Project to enable a comparison of the proposed performance estimates with prior performance.

4.1 Geotechnical

A geotechnical study undertaken in November 2016 by GeoMech Consulting (Pty) Ltd (GeoMech) indicated that the slopes used in the optimisation, design and estimation of mining quantities were conservative and did not exceed safe working practices.

The following pit slope criteria were used for designing the pit:

- Weathered material: 37° batter angle, 10 m benches, 8 m berms
- Competent material: 85° batter angle, 15 m benches, 10 m berms.

4.2 Pit optimisation

Deswik Mining Consultants (Deswik) undertook a mine design and scheduling optimisation study in 2016 with updated geotechnical studies completed by GeoMech. An updated mine design including haulage distance study was undertaken by VBKOM in 2016 with a review completed in 2018 by Venmyn Deloitte (Pty) Ltd.

VBKOM (2016) applied a number of physical and cost Modifying Factors to the pit optimisation for the conversion of the Coal Resource to a Coal Reserve, as listed below:

- Minimum seam thickness and mining height of 0.5 m
- Ash content cut-off of 65%
- Practical plant efficiency of 90% on the primary product stream and a theoretical yield on the secondary product yield estimate
- Geological losses of 10%
- Mining losses of 5%
- Roof and floor losses of 0.1 m
- Roof and floor dilution of 0.1 m.

SRK's assessment is limited to the outputs of the VBKOM and Deswik models. In SRK's opinion, the outputs appear reasonable and are in line with standard industry practices.

4.3 Coal Reserve

The Coal Reserve estimate given in Table 4-1 is based on the dual export/ domestic business model as at 31 December 2016 and was reported to the ASX in January 2017 in accordance with the guidelines of the JORC Code (2012).

The Coal Reserves reported for 'Primary Saleable Product' (export quality) and 'Secondary Saleable Product' (domestic quality) shown in Table 4-1 have used average yields of 23.68% and 19.61% respectively from the Probable run-of-mine (ROM) tonnage. These equate to an overall average yield of 43.3% for the Coal Reserve estimate. SRK has made an assessment of the mining Modifying Factors used to convert the Coal Resource to the Coal Reserve and considers the conversion to be reasonable.

Table 4-1: 2017 Coal Reserve estimate

2017 Coal Reserve Estimate	Units	Quantities
Probable ROM tonnes	Mt	616.9
Mining Area Reserve tonnes	Mt	267.1
Primary Saleable Product	Mt	146
Secondary Saleable Product	Mt	121.1
Primary (Export) Ash Content	%	14
Primary (Export) Calorific Value	MJ/kg	25.7
Secondary (Domestic) Ash Content	%	31
Secondary (Domestic) Calorific Value	MJ/kg	19.5

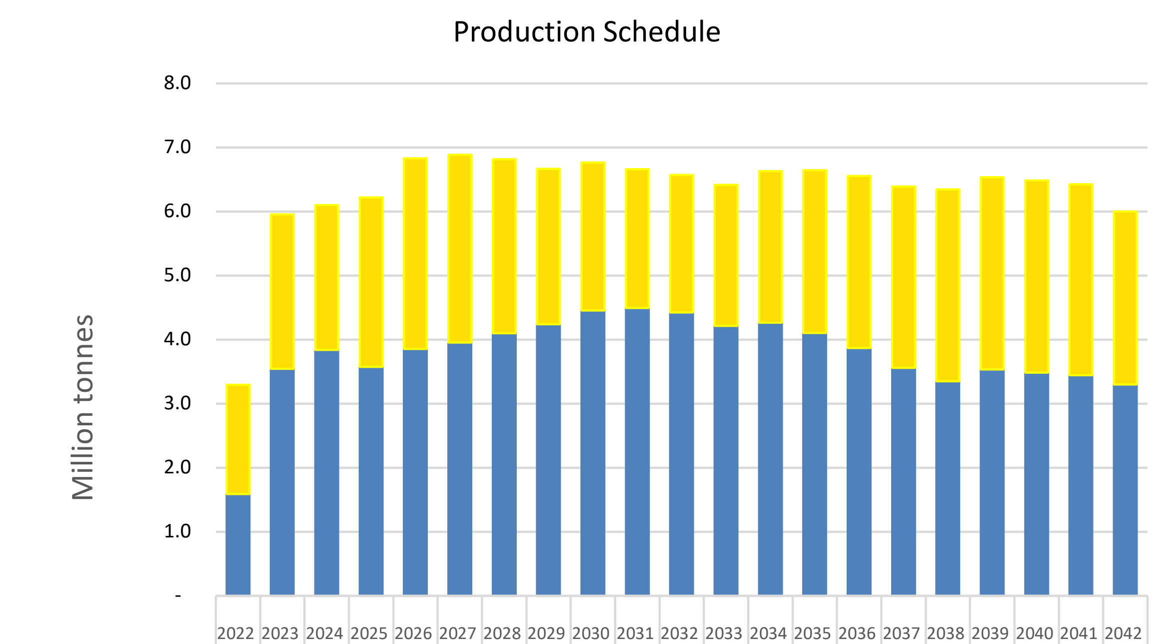
Source: ASX Release 23 January 2017

4.4 Mine scheduling

The Coal Reserve supports a mine life of 41 years at the planned ROM throughput rate of approximately 15 Mtpa to produce between 6 Mtpa and 7 Mtpa of coal to the domestic and export markets. The first 21 years of production are considered within the mine plan and financial model which is a reasonable production forecast.

Resgen intends to commence its mining operation on the western limit of the proposed mining area with an initial box-cut in the first year of production. The proposed mine is expected to be operating at its full production capacity by the fifth year of production, which is a reasonable ramp-up period given the scale of the proposed operation (Figure 4-1).

Mining at the Project is planned to be undertaken on a contractor basis under supervision and management of the Company. The mining plan will be drafted by the owner and agreed and implemented by the contractor.



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Domestic coal (Mt)	1.7	2.4	2.3	2.6	3.0	2.9	2.7	2.4	2.3	2.2	2.1	2.2	2.4	2.5	2.7	2.8	3.0	3.0	3.0	3.0	2.7
Export coal (Mt)	1.6	3.5	3.8	3.6	3.9	4.0	4.1	4.2	4.5	4.5	4.4	4.2	4.3	4.1	3.9	3.6	3.3	3.5	3.5	3.4	3.3

Figure 4-1: Production schedule for first 21-years

The open pit terrace mine will be backfilled using low-wall and end ramps. The backfill material will comprise interburden and material from low yield stockpiles.

Figure 4-2 shows the preliminary box-cut and direction of mining. Figure 4-3 shows terrace mining in steady-state production.

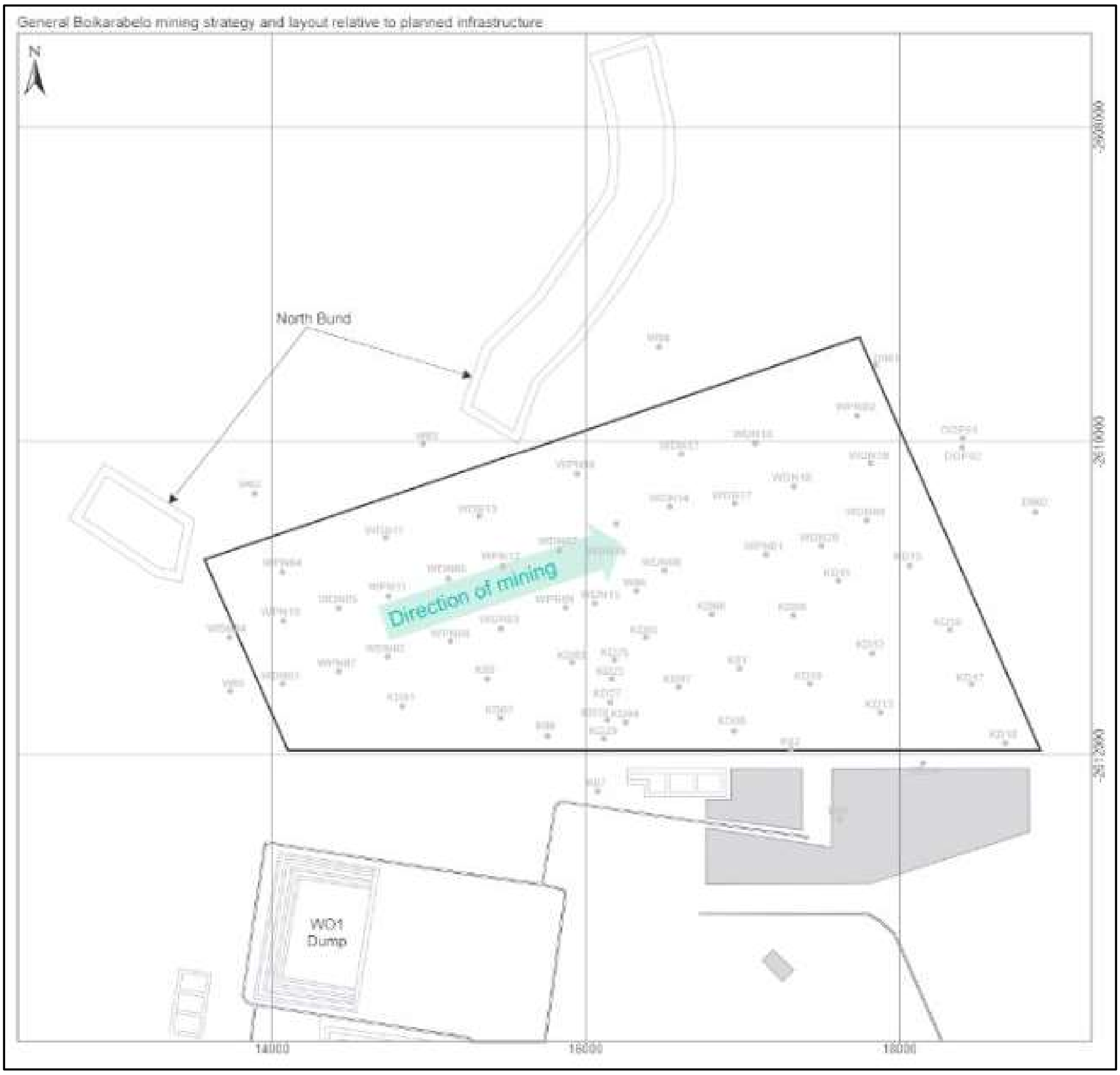


Figure 4-2: Mining area and infrastructure

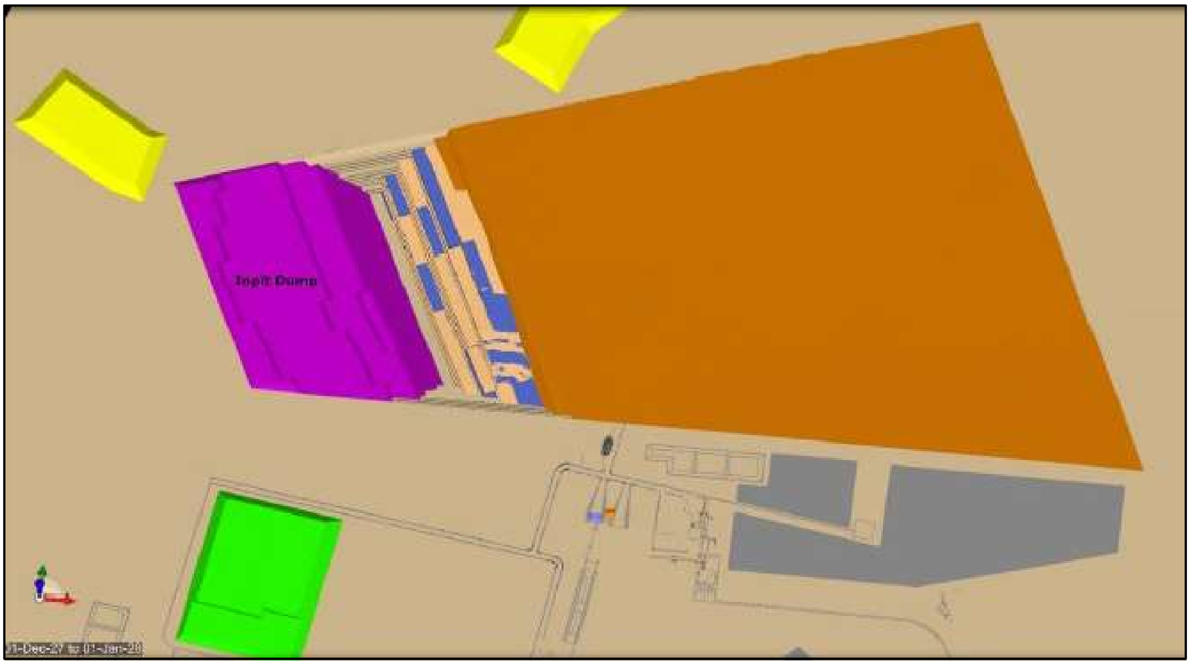


Figure 4-3: Terrace mining in steady-state production

5 Coal Processing

5.1 Coal Handling and Processing Plant

The proposed CHPP is designed to produce 3.6 Mtpa of export thermal coal and up to 2.9 Mtpa of thermal domestic coal.

The CHPP has a nominal design throughput of 15.1 Mtpa. At 7,200 operating hours per annum in the plant, this equates to 2,100 tph, treated in two modules.

The CHPP consists of:

- ROM crushing
- ROM stockpiling
- A two-module dense medium cyclone (DMC) plant treating the coal in two stages – waste discards removed first, followed by separation of the two final products in the second stage
- Fine and ultrafine reflux classifier circuits to produce a domestic and export product
- Thickening of -0.075 mm coal, with the underflow closing the water circuit using belt filter presses.

The process design flow sheet has been defined by three primary metallurgical testwork programs – washability tests, floatation and filtration. The washability tests completed to optimise the appropriate dense media density required to produce the domestic and export products with acceptable ash contents.

In absence of a flotation circuit in the current process flow sheet, the filtration testwork completed could not reduce the ash content of the Boikarabelo material to a saleable product. The filtration testwork indicated that a plate and frame filter system produced the required low moisture content of waste material, with increased reclamation of raw water for reprocessing.

SRK notes that the results of this testwork highlight that some coal seams have very low yield, emphasising the importance of ROM blending. The large diameter (LD) core report derives envelopes for both particle size distribution (PSD) and washability; these cover a wide range and will be more than adequate if ROM blending is undertaken. By way of illustration, the yield envelope is shown in Table 5-1.

Table 5-1: Yield window based on LIMN[1] simulations of LD core data

	Minimum (%)	Nominal (%)	Maximum (%)
Primary Dense Medium Cyclone	25	43	68
Secondary Dense Medium Cyclone	30	53	80
Fine REFLUX® Classifier	30	55	80
Utrafine REFLUX® Classifier	30	66	80

In SRK's opinion, the yield envelopes are large, considering there is a blending stockpile to reduce feed variations. This means that the plant is potentially over-designed, but also means that there should be no difficulty in achieving the required plant throughput. It is SRK's opinion that ROM blending should be carried out as a matter of standard practice; however, it may be possible to include a stockpile bypass to minimise generation of fines.

[1] LIMN is a Microsoft Excel based software package for process flow sheet design and simulation for mineral processing.

The CHPP layout design philosophy states that the process feed coal must be kept as coarse as possible. This is to minimise product moisture and maximise product yield by reducing generation of fines. SRK concurs with this view, provided testwork does not reveal additional liberation through crushing.

However, no testwork has been completed on the LD core samples to determine whether 50 mm is the optimal top size. All the LD core samples were tested by drop shattering and then hammering by hand to -50 mm. It is SRK's opinion that this occurs when the top size is dictated by a pre-selected piece of equipment, such as a dense medium cyclone.

The sample sizes used were 8 mm, 2.0 mm, 0.25 and 0.075 mm. Commonly, a +50 mm fraction would be subjected to washability tests, then crushed to -50 mm, and re-washed to determine whether liberation occurs as a result of crushing.

SRK considers that the washing of additional sizes at 25 mm and 12 mm, for instance, would also show whether there is any advantage in treating a coarse and small fraction separately, say +12 mm, in a drum or other device, and the 12 mm × 2 mm in a dense medium cyclone. Treating sizes separately often results in an increase in yield.

- SRK considers that a REFLUX® classifier, as with any hindered settling device, may encounter some operational difficulties with a size range as large as 2 mm × 0.25 mm. A desliming screen with an aperture of 1.4 mm cuts closer to 2 mm.
- SRK recommends the balance between the REFLUX® classifiers and the cyclones be examined critically to enhance performance of the entire -2 mm circuit.
- Work done by ENPROTEC (Environmental and Process Technologies) on the filtration of slimes, showed poor filterability, even using a plate and frame type press. SRK expects that the use of a belt press filter, which has inferior performance to a plate and frame press, could pose some operational risk.
- The fine and ultrafine products are being dewatered in dedicated screenbowl centrifuges. Standard industry practice is to combine the two fractions and feed to a screenbowl. SRK considers that even though the total number of centrifuges will be the same, the performance in terms of product moisture and centrate losses may be improved.
- Some comment is noted in the technical reports regarding the process sumps being the driver of plant footprint; SRK expects that a more conventional design whereby the DMC mixboxes are not situated on the ground floor would address the issue. It would also rectify the issue of high flow pipelines having to be diverted other than in a straight line as seen in typical plants built by Sedgman.

5.2 Product Quality Specifications

Product quality composite samples were developed from the LD testwork by Sedgman for both the domestic and export products. Using Proximate Analysis, Sedgman targeted a nominal 14% ash air-dried export product and a nominal 19.5 MJ/kg calorific value domestic product.

The composites were developed on a size by density basis and the results indicate that the products will have the qualities presented in Table 5-2.

Table 5-2: Product specifications based on Sedgman LD core data

Quality Item	Export Product	Domestic Product
Ash (%)	14.6	30.6
Volatiles (%)	31.9	27.1
Fixed Carbon (%)	49.1	38.4
Volatiles (% on a DAF basis)	39.4	41.4
Fuel Ratio	1.3	1
Gross as received calorific value (MJ/kg)	25.6	19.7
DAF basis	31.6	30.1
Dry mineral matter free basis	32.6	32.7
Gross calorific value (kcal/kg)	6,106	4,709
Total Sulphur (% on an air dry basis)	0.83	0.98

The difference between the gross as received (GAR) and net as received (NAR) specific energy values is the latent heat of the water vapour, which lowers the effective calorific value of the product. The NAR specific energy value is used to determine the forecast product price.

The World Coal Institute recommends the following calculation for conversion of GAR to NAR:

$$\text{Net calorific value (kcal/kg)} = \text{gross calorific value (kcal/kg)} - 50.6H - 5.85M - 0.191O$$

Where:

H = hydrogen

M = moisture

O = oxygen.

The results of the Sedgman Proximate Analysis on the LD core do not include the expected moisture content of the domestic or export products.

6 Infrastructure

6.1 Water supply

A water balance has been developed for the 15 Mtpa operation. A number of hydrological and groundwater studies indicate that water available from an underground water supply will be sufficient to support the initial operation.

A total of 13 boreholes, sufficient to supply the 15 Mtpa project have been drilled and pump-tested. Two of these boreholes are currently pumping water. One of the boreholes has a reverse osmosis plant to produce potable water and is situated adjacent to a contractors' camp. An additional two water boreholes are planned as emergency supply to the proposed operation. Reservoirs adjacent to these two boreholes are filled via the installed pumps.

Ledjadja has an agreement in place with the Municipality of Lephalale to transfer up to 16 ML/day of sewage return water to the project site.

Ledjadja currently has permission to extract 2.129470 m^3 per year from underground borehole sources plus an additional 54,750 m^3 per year from the proposed pit.

6.2 Power

A power supply agreement for 30 MVA has been signed with Eskom. An 80 MW power supply substation has been constructed and commissioned and is connected to the national grid. Eskom has provided Resgen with a commitment to supply the Project's power requirements from the capacity available in the national grid.

The power requirement during the construction phase of the Project is being supplied via two 22 kV rural lines that have been established. The electrical substation and control room was observed by SRK during the site inspection (Figure 6-1).

Figure 6-1: Electrical substation established at the Project

6.3 Road access

Access to the Project site is via the existing tarred provincial road (R510) to the national N1 toll road which links the town of Modimolle to Lephalale. From Lephalale, access is via the D175 tarred road to Steenbokpan.

6.4 Rail transport

Transnet Freight Rail (TFR) will be used for the transportation of the export and domestic coal by rail, with export coal being transported by rail to the port of Richards Bay. The middlings are planned to be supplied free on rail (FOR) to power stations located in the Highveld area located in Mpumalanga Province. The Project will be connected by a private siding. Land acquisition has been completed with most of the Surface Rights secured and servitude agreements executed. The proposed rail line has been designed in accordance with current TFR standards. It is proposed that 200 wagon length (26 t axle loads) trains will be used.

TFR's Lephalale–Thabazimbi railway is presently a non-electrified 20 t axle line and 100 wagon trains are operated under the Track Warrant Control system. TFR's future planning includes electrification and upgrading of the Lephalale–Thabazimbi line to allow 26 t axle loading, and 200 Jumbo-type wagons.

6.5 Environment

In 2018, Environmental Resources Management Southern Africa (Pty) Ltd (ERM) completed a review of the environmental and social action plans that are included in the Environmental and Social Due Diligence (ESDD) Assessment Report dated 28 July 2016 for the Project. Overall, the Project was found to be in compliance with the applicable standards, made up of the International Finance Corporation Performance Standards, Equator Principles, World Bank Group Environment, Health and Safety Guidelines, the OECD Environmental Recommendation and Environmental, Health, Safety and Social (EHSS) national legislation. ERM noted that Resgen will need to onboard additional personnel to ensure compliance with the approved management plans.

6.6 Approvals

Ledjadja holds an approved Environmental Management Programme under the *Minerals and Petroleum Development Act (MPDRA)*, Environmental Authorisations for listed activities under the *National Environmental Management Act (NEMA)*, an approved Water Use Licence from the Department of Water Affairs and Forestry, as well as an approved Social and Labour Plan under the *MPRDA*.

SRK understands that there is no environmental bond attached to the Environmental Management Programme.

7 Capital and Operating Costs

The Project uses a contractor model to minimise capital and operating expenditure. Table 7-1 presents the allocation of the material contracts in place for the Project.

Table 7-1: Key Project contractors

Contract	Contractor
CHPP Engineer Procure Construct (EPC) Contract and CHPP Operations Contract (OPC)	Sedgman South Africa (Pty) Ltd and Sedgman Pty Limited (Sedgman)
Mine Infrastructure Ancillary Works Programme	Sedgman South Africa (Pty) Ltd
Rail Infrastructure	Transnet SOC Limited (TFR)
Discard Dump	Owner: Ledjadja rehabilitation provision
Mining Operations	Stefanutti Stocks Mining Services (Proprietary) Limited

The cashflow Model for the Project was developed by Resgen using capital and operating cost estimates based on these material contracts.

7.1 Capital estimate

The capital cost estimate for the CHPP is ZAR2.44 billion. This is a lump sum turnkey contract (EPC) and is based on Sedgman supplying all equipment and services after earthworks have been completed. Under the terms of the contract, overrun costs are attributable to Sedgman and are capped at 10%. The EPC contract includes a contractor profit margin and corporate overhead recovery on direct costs associated with the construction of the CHPP. A mine sustaining capital allowance ZAR453 million has been allocated to the CHPP (21-year initial term). The capital estimate for the Ancillary Works Programme is ZAR1.1 billion. The scope elements under the Sedgman EPC contract include labour, fuel supply, material, machinery, construction and running costs prior to operation of the plant. Given the proposed use of a contractor mining fleet, the mining capital estimate is limited to Company vehicles (buses and utility vehicles for the 21-year initial Project term) and is estimated at ZAR103 million. Other capital allowances totalling ZAR1.35 billion provide for owner’s costs and sustaining capital.

Table 7-2 summarises the capital estimate allocated to the Project.

Table 7-2: Capital cost estimates allocated in the Model (21-year projection)

Cost Item	Cost estimate (ZAR million nominal)
Mine equipment	103
Civil and infrastructure	1,093
CPP capex	2,445
Other capex (rail, owners’ costs and sustaining capital)	1,348
Total capex	**4,989**

7.2 Operating estimate

An operations contract (OPC) allows for the operation and maintenance of the CHPP by Sedgman. The cost of all materials and services required to operate the CHPP will be charged to the Company by Sedgman and will include a base case contractor profit margin of 12.5%. Monthly adjustments to this margin will be based on the operating performance of the CHPP and will be adjusted 40% lower (capped downside) and 24% up (capped upside) based on negotiated key performance indicators. The total fixed operating cost estimate for the CHPP is approximately ZAR4,757 million and the variable cost component is approximately ZAR38,162 million (11% fixed and 89% variable cost split) for a total operating cost of ZAR42,918 million (21-year initial term). Mining at the Project will be undertaken using a contractor model. The total operating cost estimate for the mining component (21-year initial term) is approximately ZAR56,377 million. The fixed operating cost component is approximately ZAR8,271 million and the variable operating cost component is approximately ZAR48,106 million (15% fixed and 85% variable cost split).

The operating cost estimates included in the Model are presented in Table 7-3. These cost projections are based on 21-year initial term using approximately 50% of the Coal Reserve estimate.

Table 7-3: Operating cost estimates allocated in the Model (21-year projection)

Cost Item	Cost estimate (ZAR million) Total (nominal)	Cost estimate (ZAR) per product tonne
Total pit costs	56,377	423
Total CHPP costs	42,918	322
Total head office costs	7,432	56
Total transport costs	56,962	428
Total TFR fee payable	23,203	174
Total marketing fees	10,666	80
Total other debt related fees	25	0
Fixed charge for waste treatment plan	527	4
Total operating costs	**198,110**	**1,488**

7.3 SRK opinion - Inputs to the discounted cashflow model

Resgen has prepared a discounted cashflow (DCF) model (Model). SRK has reviewed the technical inputs and, further to communication with Resgen personnel to clarify some elements, has advised BDO that the technical assumptions and projections made in the Model are reasonable for valuation purposes.

In SRK's opinion, the Coal Resources and Coal Reserves considered in the Model have been reported to a sufficient quality standard under JORC Code (2012) and JORC Code (2004) guidelines and are reasonable.

7.3.1 Physicals

In SRK's opinion, the proposed mine plan, design and schedule are reasonable and based on sound logic and methodology using the following appropriate Modifying Factors (conversion of Coal Resources to Coal Reserves) in consideration of the conversion from Coal Resource to Coal Reserve in the proposed mining area:

- Minimum seam thickness and mining height of 0.5 m
- Ash content cut-off of 65%
- Practical plant efficiency of 90% on the primary product stream and a theoretical yield on the secondary product estimation
- Geological losses of 10%
- Mining losses of 5%
- Roof and floor losses of 0.1 m
- Roof and floor dilution of 0.1 m.

In SRK's opinion, the processing flowsheet is appropriate for the Project, being based on, and supported by, testwork. The coal processing flowsheet is based on industry standard logic with some modifications, including a ROM blending facility. SRK considers the targeted process plant throughput and yield estimates to be reasonable, and well within the plant's design capacity.

The LD core testwork has been used to develop a plant envelope with very large performance range. The correct use of ROM blending should enable a smaller plant to be used. SRK considers that the -2 mm fraction circuits should be studied to determine the optimal balance between the two REFLUX® classifiers, classifying cyclone, thickener and thickener underflow dewatering. For valuation purposes, the proposed construction schedule of 24 months is reasonable.

SRK's Model input recommendations for the operating physicals are summarised in Table 7-4.

Table 7-4: SRK technical input recommendations (Physicals)

Item	Model	SRK recommendation/ comment
Total ROM Feed	307 Mt	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Total Waste Movement	300 Mt	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Strip Ratio	1.0	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Export Coal Produced	79.14 Mt	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Export Coal Bulk Yield	25.8%	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Eskom Coal Produced	54.00 Mt	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Eskom Coal Bulk Yield	17.6%	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.

7.3.2 Costs

Capital costs

SRK considers the processing and infrastructure capital costs included in the Model to be reasonable (in nominal terms) for valuation purposes.

The capital cost estimate for the CHPP and related infrastructure has been developed by Sedgman on an EPC contracted value of ZAR2,429 million. This is a fixed and firm negotiated price and is based on Sedgman supplying all equipment and services after earthworks have been completed. Under the terms of the contract, overrun costs are attributable to Sedgman and are capped at 10%. The EPC contract includes a contractor profit margin and corporate overhead recovery on direct costs associated with the construction of the CHPP. SRK considers that the price estimate is reasonable, with overrun costs attributable to Sedgman unless particular causes outside Sedgman's control can be established. However, SRK notes that Resgen has included a contingency allowance of 8.6% in the processing plant capital estimate, which SRK considers to be judicious given the timing uncertainty for the commencement of construction and the reliance on an escalated November 2016 price estimate.

The capital estimate for the Ancillary Works Programme is ZAR1.1 billion (including an Australian dollar component.). The scope elements under the Sedgman EPC contract include labour, fuel supply, material, machinery, construction and running costs prior to operation of the plant. SRK considers this estimate to be reasonable but notes this is an escalated price estimate and no contingency or critical spares allowance has been made.

SRK's detailed Model input recommendations for the capital estimates are summarised in Table 7-5.

Table 7-5: SRK technical input recommendations (Capital estimates)

Item	Model (ZAR million nominal terms)	SRK recommendation/ comment
Total CHPP capital estimate	2,445	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Mining equipment (vehicles)	102.9	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
On-mine infrastructure	671.1	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
On-mine infrastructure (A$ component)	31.3	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Open pit infrastructure	2.5	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Discard dump	292.6	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Other infrastructure	92.1	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
EPCM Owners' costs	3.3	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Contingency on civil and infrastructure	0	Recommend a 10% contingency on the civil and infrastructure estimate

Operating costs

When benchmarked against similarly sized projects, the estimated costs are towards the lower end of the likely range and SRK's input recommendations are summarised in Table 7-6.

No provision has been made in the Model for environmental closure or rehabilitation.

South African law requires mining companies to set aside funds at the outset of a project for rehabilitation of the local area during the life of the mine and at closure. Resgen has therefore entered into insurance policies to set aside guaranteed rehabilitation funds. The insurance premiums are payable annually by Resgen. As at 30 June 2019, the guaranteed for rehabilitation was A$2.4 million (Resgen 2019 Annual Report), which SRK considers is reasonable considering the size of the Project.

Table 7-6: SRK technical input recommendations (Operating estimates)

Item	Model (ZAR million) nominal	SRK recommendation / comment
Pit fixed costs	8,271	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
Pit variable costs	48,106	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
CHPP fixed costs	4,757	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.
CHPP variable costs	38,162	Reasonable, based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions.

7.4 Coal pricing considerations

In October 2018, the Company commissioned Wood Mackenzie Limited (Wood Mackenzie) to prepare a thermal coal market study. The Wood Mackenzie report concluded that the coal produced from the Project would be able to be sold into both the seaborne (export) market and the domestic market in Southern Africa. Wood Mackenzie suggests that the export coal could be marketed as a high energy bituminous coal product and can be priced accordingly. Using an estimated calorific content of 5,700 kcal/kg for the Project's export coal product, Wood Mackenzie suggest a 5% discount to the Richards Bay (RB1, 6,000 kcal/kg) coal price is applicable.

SRK notes that the quality restrictions on the RB1 price include a maximum limit of 1% sulphur and a minimum calorific limit of 5,850 kcal/kg NAR which is above the estimated 5,700 kcal/kg coal specification at the Project.

At 31 December 2019, the free on board (FOB) RB1, 6,000 kcal/kg price was US$72.95/t.

The API-4 price is the benchmark index price for coal exported out of Richards Bay. The API-4 index is an average of the Argus FOB RB1, 6,000 kcal/kg price and the IHS McCloskey Richards Bay 6,000 kcal/kg price.

At 31 December 2019, the free on board (FOB) API-4 price was US$79.70/t.

7.4.1 Export coal

According to the Institute of Energy Economics and Financial Analysis (IEEFA) October 2019 report, South Africa's thermal export coal industry is heavily dependent on exports markets that are transitioning away from coal or limiting growth opportunities in support of environmental considerations. As such, South African coal exporters are likely to seek alternative long-term markets though they face increasing competition from other thermal coal exporters such as Indonesia, Australia and Russia, which have a geographical advantage in the Southeast Asian markets.

The RBCT is currently operating at around 20% spare capacity.

7.4.2 Domestic coal

Approximately 50% of the coal produced from the Project will be of a domestic quality. Eskom, South Africa's public electricity utility is divided into Generation, Transmission and Distribution divisions. Eskom generates approximately 95% of electricity used in South Africa, and approximately 45% of the electricity used in Africa.

Eskom has historically operated on a cost-plus coal procurement model, where coal is purchased under long-term joint venture contracts. Under these contracts, Eskom and the project owner jointly supply the capital required for mine development.

In recent years, falling output from Eskom's cost-plus projects has resulted in Eskom's inability to commit further capital. Additionally, the drop in supply was exacerbated by the expiration of a number of contracts between Eskom-owned power stations and its suppliers.

In 2019, the government of South Africa announced that it would be providing Eskom with ZAR69 billion (approximately US$5 billion) over a 3-year period to provide financial stability to the utility.

At 1 January 2020, the Company is in negotiation with a number of parties to secure binding offtake agreements for the domestic coal product from the Project.

8 Valuation

The objective of this section is to provide a market valuation of the mineral assets of the Project, and the Project's related tenure. SRK has not valued either Resgen or Ledjadja, these being the corporate entities which are two of the beneficial owners of the mineral assets considered in this Report. SRK understands that this valuation will be considered by BDO in the preparation of its IER and may be used as an Appendix to the IER. As such, this Report is intended for public release.

The VALMIN Code requires that an Independent Valuation report should refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed. SRK is not aware of any previous public valuations completed for the assets being the subject of the valuation in this Report.

In assessing the technical aspects relevant to this valuation, SRK has relied on information provided by Resgen, as well as information sourced from the public domain.

In determining the appropriate parameters for valuation, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent buyer in assessing the value of the mineral assets.

8.1 Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

1 Market Approach
2 Income Approach
3 Cost Approach.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio and option or farm-in agreement terms analysis.

The *Income Approach* is based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cashflow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. Table 8-1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 8-1: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-Development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015).

The market-based approach to valuation is generally accepted as the most suitable approach for valuation of a Pre-Development or Development Project.

An income-based method, such as a DCF model is commonly adopted for assessing the Value of a Tenure containing a deposit where an Coal Reserve has been produced following appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no declared Coal Reserve and supporting mining and related technical studies.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, i.e. prior to estimation of Mineral Resources. As current Mineral Resources have been declared for the Pre-Development and Advanced Exploration projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The **Market Value** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee’s (IVSC) term of the same name. This has the same meaning as Fair Value in Regulatory Guide (RG) 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The **Technical Value** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term ‘Technical Value’ has an intended meaning that is similar to the IVSC term ‘Investment Value’.

Valuation methods are, in general, subsets of valuation approaches. For example, the income-based approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb that are considered suitable only to benchmark valuations completed using primary methods.

The methods traditionally used to value exploration and development properties include:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms (expenditure-based)
- Geoscience Ratings (e.g. Kilburn – area-based)
- Comparable Market Value (real estate based)

- Metal Transaction Ratio Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage - real estate based)
- Yardstick/ Rule of Thumb (e.g. $/resource or production unit, percentage of an in situ value)
- Geological Risk.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

8.2 Valuation basis

In estimating the value of the mineral assets as at 1 January 2020, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has considered the mineral assets associated with the Project, as well as the nature and extent of the exploration potential of the granted tenure associated with the Project. This valuation only considers the current estimates on an undeveloped basis (Table 8-2) in accordance with the mandate from BDO.

Table 8-2: Valuation basis

Mineral Asset	Area	JORC Code	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	2017 Total (Mt)
Boikarabelo JORC Code (2012) Coal Resources (Measured and Indicated) Witkopje 238LQ, Kalkpan 243LQ	Mining area	2012	-	84.0	910.8	994.8
Boikarabelo JORC Code (2004) Coal Resources (Inferred) Witkopje 238LQ, Kalkpan 243LQ, Draai Om 244LQ	Exclusive of mining area	2004	1479.6			1479.6
		Total	**1479.6**	**84.0**	**910.8**	**2,474.4**

8.3 Comparable transactions

Using SRK's internal databases and the S&P Global Market Intelligence subscription database, transactions involving coal were compiled and assessed for comparability of the mineral assets relative to the Project. The mineral assets incumbent within these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

SRK has carried out an analysis of market transactions involving similar assets involving coal projects in South Africa. The volatility in coal pricing and the corresponding market sentiment over the past five years makes it important to normalise implied purchase prices in order to compare historical transactions. SRK normalised the transaction values to the 31 December 2019 coal price of US$69.30/t, being US$72.95/t, with a 5% discount applied for coal quality at the Project as suggested by Wood Mackenzie (Section 7.4).

There is a relative paucity of comparable market transactions. Three South African transactions involving Pre-Development stage coal projects were assessed to have been undertaken on mineral assets which are comparable to the mineral assets at the Project on an undeveloped basis (Table 8-3).

Given the unique geo-political environment in South Africa and the reliance on Eskom to offtake domestic coal production, SRK has not considered transactions which involved coal assets outside the jurisdiction of South Africa.

New Largo and Old New Largo transaction

In August 2018, an investor group comprised of Seriti Resources Pty Ltd and South Africa-based and Coalzar Pty Ltd acquired the New Largo project and the Old New Largo closed colliery from Anglo American Plc unit Johannesburg-based Anglo American Inyosi Coal (Pty) Ltd.

The investor group acquired 585.1 Mt coal with a calorific value of 18.13 MJ/kg for a transaction value of US$64.8 million.

The Coal Resource comprised 571.6 Mt reported in the Measured and Indicated Coal Resource categories and 13.5 Mt in the Inferred Coal Resource category (98% Measured and Indicated; 2% Inferred).

The New Largo project is located in the Witbank coal field in the Mpumalanga Province of South Africa and has a Mining Right which was approved in April 2015. Construction activities have not commenced as completion of a Coal Supply Agreement with Eskom has not been finalised as at 1 January 2020. The New Largo project is considered to be a Pre-Development Project.

Eloff transaction

In November 2017 an investor group comprised of London-based Universal Coal Plc and South Africa-based Ndalamo Resources (Pty) Ltd acquired a 51% interest in the Eloff project from Exxaro Resources Ltd.

The Eloff project has a total Coal Resource of 424 Mt coal with a calorific value of 19.2 MJ/kg for a with the transaction being for 51% of the Eloff project allocating 216 Mt at a value of US$6.49 milliion.

The Coal Resource comprised 222.9 Mt reported in the Measured and Indicated Coal Resource categories and 201.1 Mt in the Inferred Coal Resource category (52.57% Measured and Indicated; 47.47% Inferred). The Coal Resource considered in the Eloff transaction is only 10% of the size of the Coal Resource considered in the Proposed Transaction involving the Project.

The Eloff project is located in Mpumalanga Province of South Africa and has licence boundaries contiguous with the operating Kangala coal mine. The Eloff project requires the granting of a Mining Right, an Integrated Water Use Licence and Environmental Authorisations and, although it is considered to be a Pre-Development Project, it is much less mature with respect to feasibility studies and technical confidence that the Project.

Rietkuil

In August 2015 Anglo African Capital Ltd acquired a 63.50% interest in the Nsele project (Rietkuil Farm) from Sable Mining Africa Ltd for US$19.9 million. The Nsele project is located in Mpumalanga Province of South Africa and has a total Coal Resource of 164 Mt coal with a calorific value of 16.10 MJ/kg.

The Coal Resource comprises 149.5 Mt in the Measured and Indicated Coal Resource categories and 14.5 Mt in the Inferred Coal Resource category (91% Measured and Indicated; 9% Inferred). The Nsele project is at the evaluation and feasibility stage, and construction activities have not commenced. Further, a power supply to the project will need to be established.

The Nsele project is considered to be a Pre-Development Project.

SRK considers the Rietkuil transaction to be most comparable to a market transaction involving the undeveloped Measured and Indicated Coal Resources at the Project and considers the value implied by this transaction (US$0.23/t) to be a suitable high valuation estimate for these resources. The value implied by the New Largo and Old New Largo project transaction (US$0.07/t) is considered to be a suitable low valuation estimate, and the midpoint between the two transaction is considered to be a reasonable preferred valuation estimate.

SRK considers the Old Largo and New Largo transaction (US$0.07/t) to be most comparable to a market transaction involving the Inferred Coal Resources at the Project as suitable infrastructure not in place to demonstrate a Coal Reserve. SRK considers that a 30% discount to this implied valuation (US$0.049/t) is a suitable high valuation estimate given that the Inferred Coal Resources at the Project have been reported under JORC Code (2004) reporting guidelines. The value implied by the Eloff project transaction (US$0.02/t) is considered to be a suitable low valuation estimate, and the midpoint between the two transaction is considered to be a reasonable preferred valuation estimate.

Table 8-3: Comparable transactions involving Pre-Development Projects in South Africa

Buyer	Seller	Deal Completion Date and Deal Value (US$ million)	Acquired Coal Resources (Mt)	Coal Resources split	Price at the time (US$/t)	Normalisation Factor (percentage of spot price)	Normalised (US$/t) Implied value
Seriti Resources Pty and Coalzar Pty Ltd	New Largo and Old Largo: Anglo American	01/08/2018 64.80	585	98% Measured and Indicated; 2% Inferred	104.61	0.66	0.07
Universal Coal Development IV (Pty) Ltd	Eloff project: Exxaro Resources Limited	11/27/2017 6.49	216	52.57% Measured and Indicated; 47.47% Inferred	91.19	0.76	0.02
Anglo African Capital Limited	Rietkuil project: Sable Mining Africa Limited	08/27/2015 19.9	104	91% Measured and Indicated; 9% Inferred	57.00	1.22	0.23

SRK considers the market would pay within the ranges shown in Table 8-4 for a 100% interest in the Project on an undeveloped basis.

Table 8-4: Valuation ranges in US$/t

Mineral Asset	Area	Tonnes (Mt)	Low (US$/t)	High (US$/t)	Preferred (US$/t)
Boikarabelo JORC Code (2012) Coal Resources (Measured and Indicated) Witkopje 238LQ, Kalkpan 243LQ	Mining area	994.8	0.07	0.23	0.15
Boikarabelo JORC Code (2004) Coal Resources (Inferred) Witkopje 238LQ, Kalkpan 243LQ, Draai Om 244LQ	Exclusive of mining area	1479.6	0.02	0.049	0.035

On this basis, the implied valuation ranges for the Project are given in Table 8-5.

Table 8-5: Valuation ranges in US$ million

Mineral Asset	Area	Tonnes (Mt)	Low (US$ M)	High (US$ M)	Preferred (US$ M)
Boikarabelo JORC Code (2012) Coal Resources (Measured and Indicated) Witkopje 238LQ, Kalkpan 243LQ	Mining area (in Model)	497.4	35	114	75
	Mining area (not in Model)	497.4	35	114	75
Boikarabelo JORC Code (2004) Coal Resources (Inferred) Witkopje 238LQ, Kalkpan 243LQ, Draai Om 244LQ	Exclusive of mining area (not in Model)	1,479.6	30	73	51
	Total	**2,474.4**	**100**	**301**	**201**

8.4 Yardstick

As a cross-check on its valuation using comparable transactions, SRK has also considered a yardstick value per tonne of coal for its valuation of the defined resources at the Project. The Yardstick method is not generally considered to be suitable as a primary valuation method, but it is an acceptable secondary valuation method. Under the Yardstick method of valuation, specified industry accepted percentages[2] of the spot price (US$69.30/t with a 5% quality discount applied to the spot price of US$72.95/t at 1 January 2020) are used to assess the likely value.

SRK has selected the following Yardstick factors based on its assessment of widely accepted industry yardsticks for:

- Measured Coal Resources 0.2% to 0.4% of the spot price
- Indicated Coal Resources 0.1% to 0.2% of the spot price
- Inferred Coal Resources 0.05% to 0.1% of the spot price.

Table 8-6: Yardstick assumptions – export coal

Export Coal	Percentage of spot price		US$/t coal	
	Low	High	Low	High
Measured	0.2%	0.4%	0.14	0.28
Indicated	0.1%	0.2%	0.08	0.14
Inferred	0.05%	0.1%	0.04	0.08

In the absence of index pricing for domestic coal, SRK used the domestic price included in the Model as a proxy for the current spot price, where the modelled price is US$26.50/t (ZAR373.2/t using a ZAR: USD exchange rate of 0.071 at 1 January 2020). The yardstick assumptions for domestic coal are listed in Table 8-7.

Table 8-7: Yardstick assumptions – domestic coal

Domestic Coal	Percentage of spot price		US$/t coal	
	Low	High	Low	High
Measured	0.2%	0.4%	0.040	0.106
Indicated	0.1%	0.2%	0.026	0.052
Inferred	0.05%	0.1%	0.014	0.026

[2] Lawrence, M J, 2001. An Outline of Market-Based Approaches for Mineral Asset Valuation Best Practice, Mineral Asset Valuation issues for the next millenium. Sydney: Valmin, 2001

SRK has assumed a 1:1 domestic to export coal ratio for yardstick valuation purposes.

On this basis, SRK estimates a 100% interest in the Project using the Yardstick method on an undeveloped basis lies in the range between US$126 million and US$262 million, with a preferred estimate of US$194 million, as presented in Table 8-8. The values implied by the Yardstick method are comparable with the values implied using the comparable transaction analysis.

Table 8-8: Yardstick valuation range in US$ million

Mineral Asset	Tonnages (Mt)	Valuation basis	Low (US$ M)	High (US$ M)	Preferred (US$ M)
Boikarabelo JORC Code (2012) Coal Resource considered in the Model but on an undeveloped basis	225.8	Export – Measured (90.8%)	31.6	63.2	47.4
	22.9	Export – Indicated (9.2%)	1.8	3.2	2.5
	225.8	Domestic – Measured (90.8%)	9.0	23.9	16.5
	22.9	Domestic – Indicated (9.2%)	0.6	1.2	0.9
Boikarabelo JORC Code (2012) Coal Reserve not considered in the Model but on an undeveloped basis	225.8	Export – Measured (90.8%)	31.6	63.2	47.4
	22.9	Export – Indicated (9.2%)	1.8	3.2	2.5
	225.8	Domestic – Measured (90.8%)	9.0	23.9	16.5
	22.9	Domestic – Indicated (9.2%)	0.6	1.2	0.9
Boikarabelo JORC Code (2004) Coal Resources (Inferred)	739.8	Export – Inferred (50%)	29.6	59.2	44.4
	739.8	Domestic – Inferred (50%)	10.4	19.2	14.8
Total	**2,474.4**	**All**	**126**	**262**	**194**

8.5 Valuation Summary

SRK has elected to use the values implied by the comparable transactions analysis to inform its valuation range given the current market conditions and the Project's Pre-Development status.

SRK's recommended valuation ranges and preferred values for the coal assets at the Project on an undeveloped basis are summarised Table 8-9. SRK has produced a Market Value as defined by the VALMIN Code (2015).

Table 8-9: Summary of SRK's valuation as at 1 January 2020 on an undeveloped 100% equity basis*

Asset	Valuation method	Low (US$ M)	High (US$ M)	Preferred (US$ M)
Boikarabelo JORC Code (2012) Measured and Indicated Coal Resources considered in the Model but on an undeveloped basis	Comparable transaction analysis	35	114	75
	Yardstick	43	91.5	67.3
	Selected	**35**	**114**	**75**
Boikarabelo JORC Code (2012) Measured and Indicated Coal Resources not considered in the Model and on an undeveloped basis	Comparable transaction analysis	35	114	75
	Yardstick	43	91.5	67.3
	Selected	**35**	**114**	**75**
Boikarabelo JORC Code (2004) Coal Resources not considered in the Model (Inferred)	Comparable transaction analysis	30	67	48
	Yardstick	40	78.4	59.2
	Selected	**30**	**73**	**52**
	Valuation Range	100	301	201

*Note: Any discrepancies between values in the table are due to rounding.

8.6 Discussion on SRK's valuation range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with the quality of coal assets

The wide range in value is driven by the confidence limits placed around the size and quality of the coal assets and the current coal market in South Africa Table 8-10 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry (Bouchard, 2001; Snowden et al., 2002; Mackenzie et al., 2007 and Macfarlane, 2007).

Table 8-10: General guide regarding confidence for target and Resource/ Reserve estimates

Classification	Estimate range (90% Confidence Limit)
Proven/ Probable Reserves	±5% - 10%
Measured Resources	±10% - 20%
Indicated Resources	±30% - 50%
Inferred Resources	±50% - 100%
Exploration Target	+100%

This level of uncertainty with advancing project stages is shown graphically in Figure 8-1.

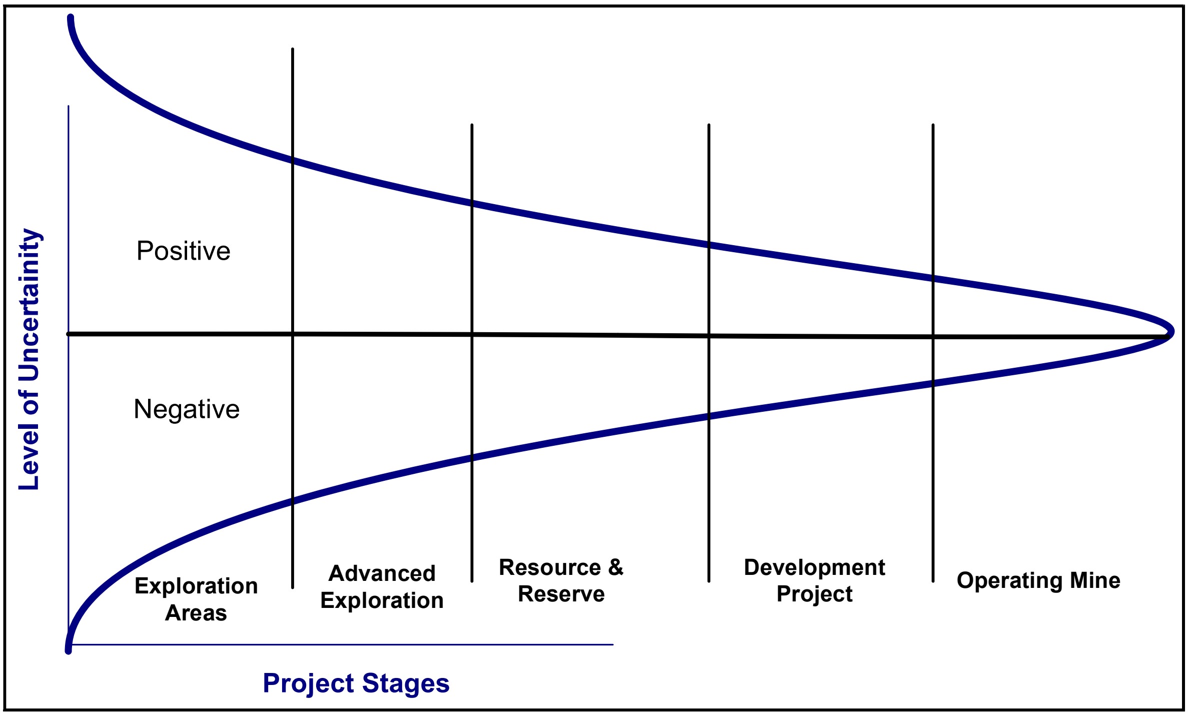


Figure 8-1: Uncertainty by advancing project stage

8.6.1 Resources and Reserve and Production risk

Coal Resources prepared under the 2012 edition of the JORC Code are best estimates based on individual judgement and reliance on knowledge and experience using industry standards and the available database. Given the 62% Coal Resource to Coal Reserve conversion rate estimated in the current mine plan, SRK notes the Coal Resource to Coal Reserve conversion to be a low technical risk but a high commercial risk given the current domestic coal price environment in South Africa and the prevailing coal export market sentiment.

8.6.2 Environmental risk

SRK considers the environmental risk at the Project to be low. Ledjadja has an approved Environmental Management Programme under the *Minerals and Petroleum Development Act* (MPDRA), Environmental Authorisations for listed activities under the *National Environmental Management Act* (NEMA), an approved Water Use Licence from the Department of Water Affairs and Forestry, as well as an approved Social and Labour Plan under the *MPRDA*.

8.6.3 Land access

SRK considers the land access risk to be low. The 30-year Mining Right was granted in April 2011. Surface Rights have been purchased over the Mining Right and land not owned by Ledjadja has notarial servitudes registered for rail, water and power.

SRK understands that no land claims have been registered on any of the farms comprising the Project.

8.7 Summary

At 1 January 2020, the valuation for the coal assets at the Project is estimated to lie in the range between US$100 million and US$301 million, with a preferred valuation of US$201 million on a 100% ownership undeveloped basis.

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Name/Title	Company
Zirk van der Bank	Resource Generation Limited
Sherif Andrawes	BDO Corporate Finance (WA) Pty Ltd

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0	07/08/2019	Karen Lloyd	Draft Report
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