

Interim Financial Report for the half year ended 31 December 2019

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This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Resource Generation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

RESOURCE GENERATION LIMITED

Directors' report

The Board of Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (Resgen or the Company) and the entities it controlled for the half year ended 31 December 2019 (HY20). In order to comply with the provision of the Corporations Act 2001, the Directors' report as follows:

1. Directors

The following persons were Directors of Resource Generation Limited during or since the end of the half year:

Name	Position	Length of service to 31 December 2019
Mr L Xate	Chairman and Non-executive Director	Full period
Mr R Croll	Lead Independent Non-executive Director	Full period
Mr G Hunter	Non-executive Director	Full period
Mr C Gilligan	Independent Non-executive Director	Full period
Mr L Molotsane *	Executive Director	Full period
Dr K Sebati	Independent Non-executive Director	Full period
Mr M Dahiya	Non-executive Director (alternate for G Hunter)	Full period
Mr M Gray	Independent Non-executive Director	Full period

* Mr Molotsane was appointed Interim Managing Director and CEO effective 8 March 2018.

Mr M Meintjes has been Company Secretary since 26 November 2015.

2. Principal activities

During the half year the principal continuing activities of the Group consisted of the financing and development of the Boikarabelo Coal Mine in the Waterberg region of South Africa.

3. Review of operations

During the HY20 the Group recorded a net loss of \$3.285 million (HY19: \$6.713 million). The HY20 net loss of \$3.285 million includes administrative and corporate expenses of \$2.133 million (HY19: \$1.539 million loss), employee expenses of \$0.669 million (HY19: \$1.180 million). The increase in the administrative and corporate expense is primarily due to the Burnvoir settlement provision that was raised at half year and the decrease in employee costs is due to resignation and retrenchment of staff.

Interest expenses of \$0.809 million (2018: \$1.264 million) being the portion of interest on the Noble loan that cannot be capitalised under AASB 123 *Borrowing Costs* and the unrealised foreign exchange gain of \$0.182 million (2018: \$2.684 million loss being an unrealised loss) from the translation of the amount outstanding under the Noble loan facility.

The Company announced on 3 December 2019 that along with its majority owned subsidiary, Ledjadja Coal (Pty) Ltd, it had entered into two non-binding term sheets, being equity and debt term sheets with a Lending Syndicate for the funding of the Boikarabelo Coal Project. The debt facilities contemplated by the term sheets were formalised into binding agreements on 5 December 2019 comprise a Senior Debt Facility and Mezzanine Facility (**Debt Facilities**). The Senior Debt Facility, subject to satisfaction or waiver of all conditions precedent, will be for an aggregate amount of approximately \$234 million (R2.34 billion), with that amount being made up of senior loans from the members of the Lending Syndicate. The Senior Debt Facility will be a secured debt, rank pari passu between the parties and will rank above the Mezzanine Debt Facility for purposes of repayment and is to be drawn down on a pro rata basis after all New Shareholder Loans and Mezzanine Debt has been fully drawn.

The Mezzanine Debt Facility, also subject to satisfaction or waiver of all conditions precedent, will be an aggregate amount of approximately \$163 million (R1.63 billion), with that amount being made up of loans from the members of the Lending Syndicate. The Facility will all rank pari passu between the parties and will be subordinated to the Senior Debt Facility. The Ramp-up Working Capital Facility (once fully executed) will not rank ahead of Senior Loans on reinforcement.

The Equity component contemplated by the term sheets is subject to satisfaction or waiver of all relevant conditions precedent. The three parties to the transaction, being the Public Investment Corporation (PIC), Industrial Development Corporation of South Africa (IDC) and Noble International Pte. Ltd (Noble) will acquire equity in Ledjadja Coal (Pty) Ltd at a nominal value of ZAR0.01 per share on the basis of committing to inject New Shareholder Loans specifically for the purposes of funding the Project. The new Shareholder Loans will remain subordinated to all other financial indebtedness of Ledjadja Coal (Pty) Ltd, be interest free and unsecured and to rank ahead of all current shareholder loans to Ledjadja Coal (Pty) Ltd for the purposes of repayment. If the arrangement contemplated by the Equity term sheets were completed, and there were no other changes to the current equity interest held in Ledjadja Coal (Pty) Ltd, then it is anticipated that the shareholder interests in Ledjadja Coal (Pty) Ltd will be diluted as follows; (1) Resgen Africa Holdings Limited - 51%, (2) Fairy Wing Trading 136 - 26%, (3) IDC - 10% and (4) Noble - 3%.

The original Noble loan advanced to Ledjadja Coal (Pty) Ltd of approximately US\$20 million in March 2014 under the Facility Agreement (at an interest rate of 10.75%), excluding capitalised interest, will cease to accrue interest at financial close for Project Funding and be converted from a term loan to subordinated equity loan which will rank pari passu with the New Shareholders Loans. Accumulated interest on the original Noble loan, up to financial close will be capitalised. The Share Pledge approved by shareholders at the 2018 AGM as security for the original Noble loan will be released at financial close to allow for the grant of the security required to obtain the Debt Facilities.

RESOURCE GENERATION LIMITED

Directors' report (continued)

3. Review of operations (continued)

The ability to draw down on facilities established under the Project Funding Agreements is subject to the satisfaction of a number of conditions precedent, including Shareholder approval at an Extraordinary General Meeting (EGM) called for that purpose, conclusion of an unconditionally fully funded Project Rail Link funding agreement, related infrastructure agreements related to the Project Rail Link and conclusion of a Ramp-up Working Capital Facility and the completion of an Independent Technical Expert Report. The Company has commissioned the preparation of an Independent Experts Report for inclusion in the notice of meeting setting the date of the EGM. Once the Independent Technical Expert's Report is finalised the Company will be able to proceed with securing required ASX clearance and to advise Shareholders of the date and location for the EGM.

Rail Link negotiations for a funding package of \$75 million (R750 million) are at an advanced stage. The funding is required to construct the 44km rail infrastructure linking the mine to the Transnet main line.

The Company executed a Seventh Deed of Amendment to the Facility Agreement on 11 December 2019 under which Noble agreed to make available additional funds of up to US\$2.500 million to Ledjadja Coal (Pty) Ltd to fund the operations and development of the mine whilst project funding is secured. The total facility made available to the Company is now US\$46.900 million. The additional funds are to be made available on substantially the same terms as the Existing facility and are being drawn in monthly tranches over the period to 31 March 2020. Noble has agreed to deferring the date for the commencement of repayment of the facilities until 31 March 2020.

4. Dividends

No dividends were paid or proposed to be paid to members during the financial half year (2018: nil).

5. Events occurring after the reporting date

An announcement was made on 17 February 2020 with regards to the execution of binding agreements for the funding of the construction of the Boikarabelo Coal Mine providing the following further status update:

Shareholders approval

- * The Company issued a Notice of Meeting (including an Independent Expert's Report) for an EGM to be held on 7 April 2020 where Shareholders will be asked to approve the Mine Funding Package announced to the market on 5 December 2019.

Rail Link Funding Status

The rail link negotiations for a funding package of R750m (approx. A\$75m at current exchange rates) continue to progress. Current funding negotiations are being conducted on a non-binding basis (with no guarantee of a binding arrangement being concluded) and envisage the following structural considerations:

- * Establishment of a special purpose vehicle (SPV) that will raise the required funds, construct, own and operate the rail link in exchange for a commercially agreed transport tariff arrangement;
- * Resgen, through its majority owned subsidiary, Ledjadja Coal (Pty) Ltd (Ledjadja Coal), will own a 49.9% interest in the SPV in lieu of the contribution of certain assets and licences associated with the rail link; and
- * Security arrangements associated with the rail link funding will be ring-fenced to the SPV i.e. there will be no impact on the security arrangements pertaining to the Project Funding Agreements.

Conditions precedent to achieve Financial Close

A number of funding conditions require satisfaction, deferral or may be waived by the Project Lenders before Financial Close. These conditions include those customary for Lender's to manage risk exposures in transactions of this nature and include both the Shareholder approval and rail link funding referred to above.

In addition, the following CP's are regarded as the key areas for focus by Management as they have been identified as being on the critical path for achievement of Financial Close:

- * Completion of reports by Independent Technical and Environmental Advisors, appointed by and for the benefit of the Project Lenders. These Reports will include an assessment of the adequacy of the Company's capital cost estimate and confirm the integrity of the Company's base case financial model used for the purposes of negotiating the Mine Funding Package;
- * Finalising the outstanding coal loading and transportation agreements between Ledjadja Coal, the Rail Link SPV and Transnet;
- * Pricing review by Sedgman of the CHPP and AWP contracts as these were established more than twelve months ago;
- * 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 a mining equipment funding arrangement linked to the proposed mining contract; and
- * Conclusion of a Ramp-up Working Capital Facility to the satisfaction of the Project Lenders.

RESOURCE GENERATION LIMITED

Directors' report (continued)

5. Events occurring after the reporting date (continued)

On 5 March 2020 a notice for the Extraordinary General Meeting of Shareholders was sent out, which is to be held in Brisbane, Australia on 7 April 2020 for the approval of the proposed Mine Funding Packages from the Lending Syndicates. The EGM announcement was contingent upon completion of the Independent Expert's Report, which was released late February 2020. The report concluded that, in the absence of an alternate offer, the transaction is fair and reasonable to Shareholders not associated with the Lending Syndicate.

Noble has provided in-principle support for the request from the Borrower submitted on 5 March 2020 to extend the existing Working Capital Facility to increase the total facility made available to the Company by up to US\$2.5 million which is in the process of being formalised. The additional funds are expected to be made available on substantially the same terms as the existing Facility and are to be drawn (if required) in monthly tranches over the period to 30 June 2020. The repayment date has been extended from 31 March 2020 to 31 July 2020 to allow for the risk of further slippage to the target for Financial Close. The support is also expected to be conditional upon Noble Board approval Working Capital Facility being repaid from proceeds of the project finance facility upon financial close.

6. Auditor's independence declaration

The auditors' independence declaration is included on page 5 of the interim financial report.

7. Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the Directors' report and the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors, pursuant to Section 306(3) of the Corporations Act 2001.

 Directors

L. Xate
Chairman

Johannesburg
13 March 2020

RESOURCE GENERATION LIMITED

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF RESOURCE GENERATION LIMITED

As lead auditor of Resource Generation Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Resource Generation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a light blue horizontal line.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 13 March 2020

RESOURCE GENERATION LIMITED

Condensed consolidated statement of profit or loss and other comprehensive income For the half year ended 31 December 2019

	Notes	Half year ended	
		31-Dec-19 \$'000	31-Dec-18 \$'000
Other income from continuing operations		180	103
Administrative and corporate		(2,133)	(1,539)
Depreciation of property, plant and equipment		(72)	(149)
Employee benefits expense		(669)	(1,180)
Finance expenses		(809)	(1,264)
Share-based compensation income	3	36	-
Unrealised foreign exchange movements - gain/(loss)	3	182	(2,684)
Loss before income tax		(3,285)	(6,713)
Income tax benefit		-	-
Loss for the half year		(3,285)	(6,713)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of foreign operations, net of tax	7	1,895	1,164
Total comprehensive (loss)/income for the half year		(1,390)	(5,549)
Loss is attributable to:			
Owners of Resource Generation Limited		(3,285)	(6,713)
Total comprehensive (loss)/income for the half year is attributable to:			
Owners of Resource Generation Limited		(1,390)	(5,549)
Headline loss		(3,285)	(6,713)
Loss per share			
Loss per share for loss from continuing operations		Cents	Cents
Basic loss per share		(0.57)	(1.16)
Diluted loss per share		(0.57)	(1.16)
Headline loss per share		(0.57)	(1.16)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

No dividends were paid or proposed to be paid to members during the financial half year (2018: nil).

RESOURCE GENERATION LIMITED

Condensed consolidated statement of financial position

As at 31 December 2019

	Notes	31-Dec-19 \$'000	30-Jun-19 \$'000
Current assets			
Cash and cash equivalents		1,292	1,474
Trade and other receivables		154	56
Deposits and prepayments		181	175
		<u>1,627</u>	<u>1,705</u>
Non-current assets			
Property, plant and equipment		30,199	30,245
Mining tenements and mining development		180,768	172,970
Deposits		1,254	1,277
Restricted cash		1,917	1,632
		<u>214,138</u>	<u>206,124</u>
TOTAL ASSETS		<u>215,765</u>	<u>207,829</u>
Current liabilities			
Trade and other payables		5,582	4,226
Provisions		215	207
Borrowings	4	10,012	20,964
		<u>15,809</u>	<u>25,397</u>
Non-current liabilities			
Provisions		2,420	2,418
Borrowings	4	85,109	66,251
Royalties payable		1,715	1,625
		<u>89,244</u>	<u>70,294</u>
TOTAL LIABILITIES		<u>105,053</u>	<u>95,691</u>
NET ASSETS		<u>110,712</u>	<u>112,138</u>
Contributed equity	5	223,622	223,622
Reserves	7	(35,661)	(37,520)
Accumulated losses		<u>(77,249)</u>	<u>(73,964)</u>
TOTAL EQUITY		<u>110,712</u>	<u>112,138</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

RESOURCE GENERATION LIMITED

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2019

	Attributable to owners of Resource Generation Limited			
	Contributed equity	Reserves	Accumulated Losses	Total equity
Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	223,622	(38,603)	(67,921)	117,098
Loss for the period	-	-	(6,713)	(6,713)
Other comprehensive income for the period (foreign currency translation), net of tax	-	1,164	-	1,164
Total comprehensive income/(loss) for the period	-	1,164	(6,713)	(5,549)
Balance at 31 December 2018	223,622	(37,439)	(74,634)	111,549
Balance at 1 July 2019	223,622	(37,520)	(73,964)	112,138
Loss for the period	-	-	(3,285)	(3,285)
Other comprehensive income for the period (foreign currency translation), net of tax	-	1,895	-	1,895
Total comprehensive income/(loss) for the period	-	1,895	(3,285)	(1,390)
Transactions with owners in their capacity as owners:				
Employee share plan - value of employee share services	-	(36)	-	(36)
	-	(36)	-	(36)
Balance at 31 December 2019	223,622	(35,661)	(77,249)	110,712

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

RESOURCE GENERATION LIMITED

Condensed consolidated statement of cash flows

For the half year ended 31 December 2019

	Half year ended	
	31-Dec-19	31-Dec-18
	\$'000	\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(1,395)	(5,263)
Interest received	59	70
Interest/finance costs paid	(2)	(22)
Net cash outflow from operating activities	(1,338)	(5,215)
Cash flows from investing activities		
Payments for property, plant and equipment	(4)	-
Payments for mining tenements and mining development	(2,025)	(1,893)
Net cash outflow from investing activities	(2,029)	(1,893)
Cash flows from financing activities		
Repayment of borrowings	(520)	(1,153)
Drawdown of borrowings	3,667	7,772
Net cash inflow from financing activities	3,147	6,619
Net decrease in cash and cash equivalents	(220)	(489)
Cash and cash equivalents at the beginning of the half year	1,474	1,729
Effects of exchange rate movements on cash and cash equivalents	38	-
Cash and cash equivalents at the end of the half year	1,292	1,240

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

RESOURCE GENERATION LIMITED

Notes to the condensed consolidated financial statements For the half year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half year financial report

This general purpose financial report for the interim half year reporting period ended 31 December 2019 (HY20) has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Resource Generation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The interim financial report been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Report) Instruments 2016/191, dated 24 March 2016*, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Disclosure surrounding adoption of new or revised Standards

The interim financial report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2019, with exception that the group has applied for the first time the requirements of:

a) AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and related interpretations. The Group has applied AASB 16 and the transactions have been eliminated at Group level as the lease agreements are intercompany. The Group has no lease agreements with external parties.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report comprises the financial statements of Resource Generation Limited and its subsidiaries as at 31 December 2019 ("the Consolidated Entity").

Going concern

The interim financial report has been prepared on the going concern basis which presumes the realisation of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

As at 31 December 2019, the Group had net current liabilities of \$14.182 million (30 June 2019: net current liabilities of \$23.692 million), made a loss for the half year of \$3.285million (2018: \$6.713 million) and recorded a net cash outflow from operations of \$1.338 million (2018: \$5.215 million for the year). The Group had a cash balance at 31 December 2019 of \$1.292 million (30 June 2019: \$1.474 million).

In concluding that the going concern basis is appropriate, a cash flow forecast has been prepared for the twelve months to 31 March 2021. The forecast includes the following key assumptions:

- (a) the drawdown of the remaining US\$1.500 million from the US\$2.500 million Seventh Deed of Amendment to the Facility which was executed 11 December 2019. The total facility made available to the Company as at 31 December 2019 is US\$46.900 million and total drawdowns are US\$ 45.400 million;
- (b) Financial Close is targeted to be on or before 30 April 2020, after the Extraordinary Shareholders Meeting for the approval of the Mine Funding Package has been held in late March or early April 2020 and satisfaction of waiver by the Lenders of the conditions precedent to be able to issue a draw down notice; and
- (c) The Company has agreed the principles for the extension by Noble Group of additional funds for working capital requirements to allow for bridging the funding gap to the revised target for Financial Close.

Noble has provided in-principle support for the request from the Borrower submitted on 5 March 2020 to extend the existing Working Capital Facility to increase the total facility made available to the Company by up to US\$2.5 million, which is in the process of being formalised. The additional funds are expected to be made available on substantially the same terms as the existing Facility and are to be drawn (if required) in monthly tranches over the period to 30 June 2020. The repayment date has been extended from 31 March 2020 to 31 July 2020 to allow for the risk of further slippage to the target for Financial Close. The support is also expected to be conditional upon Noble Board approval for the Working Capital Facility being repaid from proceeds of the project finance facility upon financial close.

RESOURCE GENERATION LIMITED

Notes to the condensed consolidated financial statements For the half year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of half year financial report (continued)

Going concern (continued)

These conditions give rise to a material uncertainty which may cast significant doubt over the Groups' ability to continue as a going concern. Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(b) Income Tax

The Directors have not recognised any deferred tax assets in relation to carry forward unused tax losses. Given the history of operating losses, the Directors have determined that the most appropriate time to recognise deferred tax assets from carry forward unused tax losses is when the mine commences production.

2. SEGMENT INFORMATION

(a) Description of operating segments

Management has determined the segments based upon reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both a business and geographic perspective, with the Board being the chief operating decision maker.

The Group has coal interests in South Africa. The main priority is to develop its Coal Resources in the Waterberg region of South Africa. Management has determined that there is one operating segment, being mining tenements and mining development. Unallocated corporate administration reflects other corporate administration costs.

3. LOSS FOR THE HALF YEAR

	Half year ended	
	31-Dec-19	31-Dec-18
	\$'000	\$'000
Loss for the half year includes the following items that are unusual because of their nature, size or incidence:		
Income		
Share-based compensation expense	(36)	-
Unrealised foreign exchange movements	(182)	-
Expenses		
Administrative and corporate	2,133	1,539
Unrealised foreign exchange movements	-	2,684

4. BORROWINGS

	31-Dec-19	30-Jun-19
	\$'000	\$'000
Current liabilities - EHL loan (unsecured)	-	532
Current liabilities - Noble loan (secured)	10,012	20,432
	10,012	20,964
Non-current liabilities - Noble loan (secured)	85,109	66,251

RESOURCE GENERATION LIMITED

Notes to the condensed consolidated financial statements For the half year ended 31 December 2019

4. BORROWINGS (continued)

Noble loan

The Company executed a Seventh Deed of Amendment to the Facility Agreement on 11 December 2019 under which Noble agreed to make available additional funds of up to US\$2.500 million to Ledjadja Coal (Pty) Ltd to fund the operations and development of the mine whilst project funding is secured. The total facility made available to the Company is now US\$46.900 million. The additional funds are to be made available on substantially the same terms as the Existing facility and are being drawn in monthly tranches over the period to 31 March 2020. The original Noble US\$20 million loan, plus accrued interest, is proposed to become interest free at financial close and will be subordinated with the New Shareholders Loan contemplated under the terms sheets. Repayment of all Facility Agreement advances made by Noble post the original US\$20 million, with accrued interest, is planned to occur out of the first drawdown under the proposed Project Funding after financial close.

Ledjadja Coal (Pty) Ltd is the borrower under both of the above loan facilities. The Company has provided a guarantee to the respective lenders.

5. CONTRIBUTED EQUITY

	31-Dec-19 Shares	30-Jun-19 Shares	31-Dec-19 \$'000	30-Jun-19 \$'000
Opening balance	581,380,338	581,380,338	223,622	223,622
Issues of ordinary shares	-	-	-	-
Closing balance	581,380,338	581,380,338	223,622	223,622

6. DEVELOPMENT PARTNERS

	31-Dec-19 Interest %	30-Jun-19 Interest %
Waterberg One Coal (Pty) Ltd	74	74
Ledjadja Coal (Pty) Ltd	74	74

The minority interest in Ledjadja Coal (Pty) Ltd and Waterberg One Coal (Pty) Ltd is held by Fairy Wing Trading 136 (Pty) Ltd (Fairy Wing), the Group's black economic empowerment (BEE) partner. Pursuant to the terms of a loan from the Group to facilitate the acquisition of the shares, Fairy Wing only nominally holds the minority interest and is not currently entitled to a share in the residual interest of the subsidiaries. For this reason, a non-controlling interest is not presented in the interim financial report.

7. RESERVES

	31-Dec-19 \$'000	30-Jun-19 \$'000
Reserves		
Other contributed equity	1,085	1,085
Share-based payment reserve	487	523
Treasury shares	(2,079)	(2,079)
Foreign currency translation reserve	(35,154)	(37,049)
	(35,661)	(37,520)
Movements in reserves		
Share-based payment reserve		
Opening balance	523	1,026
Employee share plan income	(36)	(503)
Closing balance	487	523
	31-Dec-19 \$'000	30-Jun-19 \$'000
Treasury shares		
Opening balance	(2,079)	(2,079)
Closing balance	(2,079)	(2,079)
Foreign currency translation reserve		
Opening balance	(37,049)	(38,635)
Movement	1,895	1,586
Closing balance	(35,154)	(37,049)

RESOURCE GENERATION LIMITED

Notes to the condensed consolidated financial statements For the half year ended 31 December 2019

7. RESERVES (continued)

Foreign currency translation reserve movement for the current half year relates to 0.1% appreciation of the Rand against the Australian Dollar during the half year ended 31 December 2019 (30 June 2019: 1% depreciation).

8. COMMITMENTS

Capital commitments

The Group has no unconditional commitments in respect of the development of the Boikarabelo Coal Mine at 31 December 2019.

There are potential property acquisitions of \$17.945 million (30 June 2019: \$11.345 million) contingent to events subsequent to the commencement of mine production.

9. EVENTS OCCURRING AFTER THE REPORTING DATE

An announcement was made on 17 February 2020 with regards to the execution of binding agreements for the funding of the construction of the Boikarabelo Coal Mine providing the following further status update:

Shareholders approval

- * The Company issued a Notice of Meeting (including an Independent Expert's Report) for a EGM to be held on 7 April 2020 where Shareholders will be asked to consider approval of the Mine Funding Package announced to the market on 5 December 2019.

Rail Link Funding Status

The rail link negotiations for a funding package of R750m (approx. A\$75m at current exchange rates) continue to progress. Current funding negotiations are being conducted on a non-binding basis (with no guarantee of a binding arrangement being concluded) and envisage the

- * Establishment of a special purpose vehicle (SPV) that will raise the required funds, construct, own and operate the rail link in exchange for a commercially agreed transport tariff arrangement;
- * Resgen, through its partly owned subsidiary, Ledjadja Coal (Pty) Ltd (Ledjadja Coal), will own a 49.9% interest in the SPV in lieu of the contribution of certain assets and licences associated with the rail link; and
- * Security arrangements associated with the rail link funding will be ring-fenced to the SPV i.e. there will be no impact on the security arrangements pertaining to the Project Funding Agreements.

Conditions precedent to achieve Financial Close

A number of funding conditions require satisfaction, deferral or may be waived by the Project Lenders before Financial Close. These conditions include those customary for Lender's to manage risk exposures in transactions of this nature and include both the Shareholder approval and rail link funding referred to above.

In addition, the following CP's are regarded as the key areas for focus by Management as they have been identified as being on the critical path for achievement of Financial Close:

- * Completion of reports by Independent Technical and Environmental Advisors, appointed by and for the benefit of the Project Lenders. These Reports will include an assessment of the adequacy of the Company's capital cost estimate and confirm the integrity of the Company's base case financial model used for the purposes of negotiating the Mine Funding Package;
- * Finalising the outstanding coal loading and transportation agreements between Ledjadja Coal, the Rail Link SPV and Transnet;
- * Pricing review by Sedgman of the CHPP and AWP contracts as these were established more than twelve months ago;
- * 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 a mining equipment funding arrangement linked to the proposed mining contract; and
- * Conclusion of a Ramp-up Working Capital Facility to the satisfaction of the Project Lenders

On 5 March 2020 a notice for the Extraordinary General Meeting of Shareholders was sent out, which is to be held in Brisbane, Australia on 7 April 2020 for the approval of the proposed Mine Funding Packages from the Lending Syndicates. The EGM announcement was contingent upon completion of the Independent Expert's Report, which was released late February 2020. The report concluded that, in the absence of an alternate offer, the transaction is fair and reasonable to Shareholders not associated with the Lending Syndicate.

RESOURCE GENERATION LIMITED

Notes to the condensed consolidated financial statements For the half year ended 31 December 2019

9. EVENTS OCCURRING AFTER THE REPORTING DATE (continued)

Noble has provided in-principle support for the request from the Borrower submitted on 5 March 2020 to extend the existing Working Capital Facility to increase the total facility made available to the Company by up to US\$2.5 million, which is in the process of being formalised. The additional funds are expected to be made available on substantially the same terms as the existing Facility and are to be drawn (if required) in monthly tranches over the period to 30 June 2020. The repayment date has been extended from 31 March 2020 to 31 July 2020 to allow for the risk of further slippage to the target for Financial Close. The support is also expected to be conditional upon Noble Board approval for the Working Capital Facility being repaid from proceeds of the project finance facility upon financial close.

10. CONTINGENT LIABILITIES

Environmental rehabilitation

Legislation stipulates that all mining operations within South Africa are required to make provision for environmental rehabilitation during the life of the mine and at closure. In line with this requirement, the Company entered into policies with a reputable insurance broker to set aside funds for aforementioned purposes. On the back of these policies the insurance broker provides the required mining rehabilitation guarantees which are accepted by the Department of Mineral Resources. The Company makes annual premium payments towards structured products that will allow the matching of the environmental rehabilitation liability against Company assets over a period of time.

	31-Dec-19 \$'000	30-Jun-19 \$'000
Guarantees for rehabilitation	2,420	2,418
Less: Funds available on Guardrisk Policy	(1,554)	(1,371)
Contingent liability	866	1,047

11. SIGNIFICANT RELATED PARTY EVENTS AND TRANSACTIONS

During the half year period, the Company utilised the remaining funds of US\$1.500 million from the Sixth Deed of Amendment and Restatement of the Facility Agreement with its related party Noble International Pte Ltd in order for its majority owned subsidiary, Ledjadja Coal (Pty) Ltd to fund operations whilst funding is secured. A Seventh Deed of Amendment and Restatement of the Facility Agreement was executed on 11 December 2019 in order to provide additional funds of up to US\$2.500 million in order to further fund the Group until financial close is achieved. As at 31 December 2019, the Group has utilised US\$2.500 million for its operations from the funds received from its related party Noble International Pte Ltd and has a total available of US\$1.500 million from the executed Seventh Deed of Amendment and Restatement of the Facility Agreement. The total facility made available to the Company is now at US\$46.900 million.

RESOURCE GENERATION LIMITED

Directors' declaration

In the Directors' opinion:

(a) there are reasonable grounds to believe that Resource Generation Limited will be able to pay its debts as and when they become due and payable; and

(b) the financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including compliance with accounting standards, including AASB 134 Interim Financial Reporting and giving a true and fair view of the financial position as at 31 December 2019 and of the performance of the consolidated entity for the half year ended on that date.

This declaration is made in accordance with a resolution of the Directors, pursuant to Section 303(5) of the Corporations Act 2001.



L Xate
Chairman

Johannesburg
13 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resource Generation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Resource Generation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd



R M Swaby
Director

Brisbane, 13 March 2020

RESOURCE GENERATION LIMITED

Supplementary Information - presentation of financial information in South African Rand

The presentation currency used in the preparation of the financial statements is the Australian dollar (A\$). The Group has translated the financial statements to the South African Rand (ZAR) because the Boikarabelo Coal Mine, which represents the Group's most significant activity, is located in this region. This supplementary information has restated the financial statements in Rand. Assets and liabilities were translated to Rand using the relevant closing rate of exchange and income and expense items were translated using the relevant cumulative average rate of exchange. The applicable rates used in the restatement of information are as follows:

	Dec-19	Jun-19	Dec-18
Average rate of exchange \$A/Rand	10.0464	10.1338	10.2553
Closing rate of exchange \$A/Rand	9.8458	9.8545	10.1427

Consolidated statements of comprehensive income - ZAR Convenience Translation (Supplementary Information) For the half year ended 31 December 2019

	Half year ended	
	31-Dec-19 R'000	31-Dec-18 R'000
Other income from continuing operations	1,808	1,056
Administration, rent and corporate	(21,429)	(15,784)
Depreciation of property, plant and equipment	(723)	(1,528)
Employee benefits expense	(6,721)	(12,101)
Finance expenses	(8,128)	(12,963)
Share-based compensation expense	362	-
Unrealised foreign exchange movements	1,828	(27,525)
Loss before income tax	(33,003)	(68,845)
Income tax benefit	-	-
Loss for the half year	(33,003)	(68,845)
Other comprehensive loss/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations, net of tax	19,038	11,937
Total comprehensive loss/income for the half year	(13,965)	(56,908)
Loss is attributable to:		
Owners of Resource Generation Limited	(33,003)	(68,845)
Total comprehensive income for the half year is attributable to:	(13,965)	(56,908)
Headline loss	(33,003)	(68,845)
Loss per share	Rand	Rand
Loss per share for loss from continuing operations		
Basic loss per share	(5.7)	(11.9)
Diluted loss per share	(5.7)	(11.9)
Headline loss per share	(5.7)	(11.9)

RESOURCE GENERATION LIMITED

Consolidated statements of financial position - ZAR Convenience Translation (Supplementary Information)

As at 31 December 2019

	31-Dec-19 R'000	30-Jun-19 R'000
Current assets		
Cash and cash equivalents	12,721	14,523
Trade and other receivables	1,516	552
Deposits and prepayments	1,782	1,725
	<u>16,019</u>	<u>16,800</u>
Non-current assets		
Property, plant and equipment	297,334	298,049
Mining tenements and mining development	1,779,807	1,704,529
Deposits	12,347	12,584
Restricted cash	18,874	16,083
	<u>2,108,362</u>	<u>2,031,245</u>
TOTAL ASSETS	<u>2,124,381</u>	<u>2,048,045</u>
Current liabilities		
Trade and other payables	54,959	41,645
Provisions	2,117	2,040
Borrowings	98,576	206,589
	<u>155,652</u>	<u>250,274</u>
Non-current liabilities		
Provisions	23,827	23,828
Borrowings	837,967	652,869
Royalties payable	16,886	16,014
	<u>878,680</u>	<u>692,711</u>
TOTAL LIABILITIES	<u>1,034,332</u>	<u>942,985</u>
NET ASSETS	<u>1,090,049</u>	<u>1,105,060</u>
Equity		
Contributed equity	2,201,740	2,229,377
Reserves	(351,112)	(395,438)
Accumulated losses	(760,579)	(728,879)
TOTAL EQUITY	<u>1,090,049</u>	<u>1,105,060</u>

RESOURCE GENERATION LIMITED

Consolidated statement of cash flows - ZAR Convenience Translation (Supplementary Information)
For the half year ended 31 December 2019

	Half year ended	
	31-Dec-19 R'000	31-Dec-18 R'000
Cash flows from operating activities		
Payments to suppliers and employees	(14,015)	(53,974)
Interest received	593	718
Interest paid	(20)	(226)
Net cash outflow from operating activities	(13,442)	(53,482)
 Cash flows from investing activities		
Payments for property, plant and equipment	(40)	-
Payments for mining tenements and mining development	(20,344)	(19,418)
Net cash outflow from investing activities	(20,384)	(19,418)
 Cash flows from financing activities		
Repayment of borrowings	(5,224)	(11,823)
Drawdown of borrowings	36,840	79,706
Net cash inflow from financing activities	31,616	67,883
 Net decrease in cash and cash equivalents	(2,210)	(5,017)
Cash and cash equivalents at the beginning of the half year	14,522	17,538
Effects of exchange rate movements on cash and cash equivalents	409	54
Cash and cash equivalents at the end of the half year	12,721	12,575