



15 May 2020

ASX Announcement

ASX Listing Rule 10.1 Waiver - Additional US\$2.25m working capital funding announced on 2 April 2020

Summary

- **ASX Limited ('ASX') has granted Resgen a waiver from complying with Listing Rule 10.1. This will enable the Company to include the further US\$2.25m in conditional funding agreed with Noble (ASX announcement: 2 April 2020) under the security arrangements relating to the Facility Agreement without first obtaining Shareholder approval;**
- **The waiver includes a number of conditions which are set out in this market release;**
- **Resgen to now proceed with finalising the legal documentation for the extension of the further funds together with satisfying all drawdown conditions precedent; and**
- **Resgen and Noble confirm that the extension of additional working capital will be available through to 30 June 2020 being the targeted date for Financial Close for Project funding**

Resource Generation Limited (ASX:RES) (**ResGen** or **Company**) announced to the market on 2 April 2020 that in-principle agreement had been reached with Noble Resources International Pte Ltd (**Noble**) to provide up to an additional US\$2.25m in working capital.

The legal documentation to support this conditional commitment is in the process of being prepared as an amendment to the facility agreement originally entered into between Noble and Ledjadja Coal (Pty) Ltd (**Ledjadja**), being the subsidiary holding ResGen's interest in the Boikarabelo Coal Mine project (**Project**), dated 3 March 2014 as amended from time to time, including most recently on 11 December 2019 (**Facility Agreement**). ResGen is the guarantor of Ledjadja's obligations under the Facility Agreement.

One of the conditions of this further extension to the Facility Agreement is that the amount provided under the extension be secured by the existing Share Pledge granted in favour of Noble over ResGen's interest in 74% of the shares in Ledjadja (held through a wholly owned subsidiary, Resgen Africa Holdings Limited (**RAHL**)). As Noble is a substantial shareholder in ResGen, the grant of security to it must comply with ASX Listing Rule 10.1. The original grant of the Share Pledge to Noble (securing up to US\$41.9m in advances as agreed in October 2018) was approved by Shareholders for the purposes of ASX Listing Rule 10.1 at the 2018 Annual General Meeting. However, the extension of any further amounts under the Facility Agreement can only be secured under the Share Pledge by first obtaining a waiver of ASX Listing Rule 10.1 from ASX or by calling a meeting and obtaining further Shareholder approval.

In mid-April 2020, the Company submitted an application to ASX seeking a waiver from the application of ASX Listing Rule 10.1 to permit the Company, including its wholly owned subsidiary RAHL, to increase the amount secured by the Share Pledge provided to Noble to secure up to a further US\$2.25m in advances from Noble under the Facility Agreement without obtaining Shareholder approval. The Company is now pleased to advise that the ASX has granted this waiver, subject to certain conditions that are described below.

Approval of the Listing Rule 10.1 waiver allows the Company to finalise as soon as possible a further amendment to the Facility Agreement (**Eighth Deed of Amendment**) and increase the amount secured by the Share Pledge to US\$49.15m plus accrued interest. The additional funds under the Eighth Deed of Amendment to be available to Ledjadja Coal for the period through to 30 June 2020 (previously 31 March 2020).

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

- the Share Pledge include a term that if an event of default occurs and Noble exercises its rights under the Share Pledge, neither Noble or any of its associates can acquire any legal or beneficial interest in an asset of the Company or RAHL in full or part satisfaction of the Company's obligations under the Share Pledge, or otherwise deal with the assets of the Company or RAHL without the Company first having complied with any applicable listing rules, including Listing Rule 10.1, other than as required by law or through a receiver, or a receiver or manager (or analogous person, including without limitation an administrator or liquidator) appointed by Noble exercising its power of sale under the Share Pledge and selling the asset to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to Noble in accordance with their legal entitlements. ResGen confirms that the Share Pledge contains a term to this effect;
- The security document expressly provides that the security provided under the Share Pledge is limited to the funds due under the Eighth Deed of Amendment

and that the security will be discharged when the funds due under the financial accommodation have been satisfied in full;

- the Company provide a summary of the material terms of the Facility Agreement and Share Pledge in each Annual Report each year they remain on foot;
- any variation to the terms of the Eight Deed of Amendment or the Share Pledge which advantages Noble in a material respect, disadvantages the Company in a material respect or is inconsistent with the terms of the waiver must be subject to Shareholder approval under Listing Rule 10.1;
- the Company and Noble must seek to discharge the Share Pledge when the funds advanced to Ledjadja are either repaid, or if it is not discharged, seek Shareholder approval for the continuation of the Share Pledge for any further period; and
- that the Company releases to the Market an announcement which sets out the terms of the waiver, including:
 - the material terms associated with the additional US\$2.25m working capital;
 - the Company's plans with respect to the repayment of the funds advanced under the Facility Agreement, and discharge of the Share Pledge, including the timeframe within which it expects repayment and discharge to occur; and
 - a statement of the reasons why the Company has chosen to obtain further funding and grant security to Noble, a Listing Rule 10.1 party, rather than a lender that is not a Listing Rule 10.1 party, and the steps that the Board took to satisfy itself that the transaction was being entered into is on arm's length terms and is fair and reasonable from the perspective of the Company's Shareholders.

In relation to the last item listed above (with the three sub-points) the following is noted:

- the material terms agreed with Noble were set out in the market announcement of 2 April 2020 and form the basis upon which the Eighth Deed of Amendment will be finalised;
- the Company requires additional working capital to reach financial close for funding of the Project (**Financial Close**) which is targeted for the end of June 2020 - see ASX Announcement on 2 April 2020 titled 'Market Update';
- on 7 April 2020 the Company secured Shareholder approval for a Mine Funding Package to enable the development of the Boikarabelo Coal Mine. This funding package contains a number of conditions precedent which require satisfaction or waiver by the Lenders in order to reach Financial Close;
- repayment of all Facility Agreement advances made by Noble (excluding the original US\$20m loan together with accrued interest) is planned to occur out of the first drawdown under the Mine Funding Package after Financial Close as noted in the Notice of Meeting released to the market on 5 March 2020;
- the Share Pledge must be released by Noble (being one of the conditions precedent to be satisfied in the Mine Funding Package);

- the original Noble US\$20m loan, plus accrued interest, will become interest free at the time of Financial Close and will be subordinated with the New Shareholder Loans contemplated in the Mine Funding Package;
- the Company determined that, if no further funding was obtained, it would be likely to exhaust its current working capital funding by the end of May 2020;
- the Company considered the available sources of funding to meet this need and identified Noble as the only party that was in a position to make a firm commitment within the relevant timeframe; and
- the terms proposed by Noble were consistent with those previously negotiated and agreed under the Facility Agreement with the exception of:
 - interest at a rate of 16% on the extension of the additional funds (interest rate of the funds currently extended is 10.75%) which will not be material given the short period of time involved;
 - amending the first date for repayment of the Facility Agreement from 31 March 2020 to 31 July 2020; and
 - the terms of the Valu off take agreement to be renegotiated to reflect current market norms by aligning with the Noble Export contracts as disclosed to the Borrower.
- These amendments are not expected to provide Noble with an advantage in a material respect or disadvantage the Company in a material respect.

The Company will update the market once the Eighth Deed of Amendment is finalised and executed by the parties.

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Chairman

For and on behalf of the Board

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About Resgen:

Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa's Waterberg region. The Waterberg accounts for around 40% of the country's currently known coal resources. The Coal Resources and Coal Reserves for the Boikarabelo Coal Mine, held through the operating subsidiary Ledjadja Coal, were recently updated based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement :23 January 2017- In accordance with Listing Rule 5.23.2 the Company confirms that it is not aware of any new information that would impact on the Reported Coal Resources and Coal Reserves). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment subsidiary (BEE) operating under South Africa's Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice.

ResGen's primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

Forward looking statements

This announcement contains certain forward-looking statements. Forward-looking statements include those containing words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of ResGen. To the maximum extent permitted by law, the directors of ResGen, ResGen and any of its related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfillment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).