
Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 December 2016

Resource Generation Limited (the “Company” or “Resgen”) is developing its Boikarabelo Coal Mine in the Waterberg region of South Africa. This region accounts for 40% of the country’s remaining identified coal resources. Based on a new business model for the Boikarabelo Coal Mine, where the intent is to service both export customers and domestic power stations, the JORC Code 2012 Probable Coal Reserves total 267m/t at 31 December 2016.

General

Work continued at the Boikarabelo Mine site during the quarter in order to ensure project readiness for the mobilisation of the EPC contractors. In parallel significant progress has been made towards completion of the material contracts with *inter alia* Transnet Freight Rail (logistics), Sedgman (CHPP and O&M contracts) and Stefanutti Stocks Mining Services (mining contract). All of these contracts are conditions precedent to financial close of funding with the Financing Syndicate. Completion of the project funding continues to be Company’s highest priority.

The Company held its Annual General Meeting in Brisbane on 23 November 2016 at which the CEO provided details on the current status of the project’s material contracts and funding. All resolutions put to the AGM were passed.

Capital structure and cash position

The Company’s summarised capital structure at 31 December 2016 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance rights:	6,250,000
Cash at bank:	\$4.5 million

Shareholders and potential investors should also review the Company’s Annual Report and audited Financial Report for the year ending 30 June 2016 to fully appreciate the Company’s financial position.

The Company has received, and is presently considering, a proposal to increase the existing unsecured loan facility (now fully drawn down) as announced to the market in Quarterly Report for the three months ending on 31 March 2014. The provider of the facility has offered the facility increase in order to provide the Company with additional working capital for the period up to the first drawdown under the proposed project funding arrangements. The Company expects to finalise its consideration of the proposed increase during the month of February 2017 and will update the market when this occurs.

Coal Resources and Reserves Statement at 31 December 2016

The Coal Resources and Coal Reserves estimate for Boikarabelo Coal Mine has been updated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, (The JORC Code, 2012 Edition) (**the JORC Code 2012**) (ASX Announcement 23 January 2017).

This update of the Coal Resources and Coal Reserves estimates relate specifically to the Ledjadja #1 and Ledjadja #3 project areas where an optimised mine design has now been completed. These two project areas make up 27% of Resgen’s Coal Resources and 46% of Resgen’s Coal Reserves.

Resgen has previously secured export offtake contracts and has developed a dual export/domestic business model intending to service both export customers and domestic power stations. This model has resulted in a meaningful increase in the Net Present Value (NPV) and Internal Rate of Return (IRR) of the project.

The previously announced 2010 estimated Coal Resources and Coal Reserves (“the 2010 Release”) was based on a single, low quality product for sale to domestic power stations.

An updated statement of those estimated Coal Resources and Coal Reserves as at 31 December 2016 is included below.

The total Coal Resources and Coal Reserves base at 31 December 2016 is summarised in the table below:

Project Area	Area (hectares)	Coal Resources (Mt)	Coal Reserves (Mt)
Ledjadja #1 and Ledjadja #3 (*)	830.0	994.81	267.09
Ledjadja #1 and Ledjadja #2(**)(i)	877.0	1479.6	-
Waterberg #1 (***) (i)	536.0	426.3	314.2
Waterberg #1(**)(i)	706.0	551.7	-
Total	2,949.0	3,711.61	581.29

(*)- determined by applying the JORC Code 2012

(**)- determined by applying the JORC Code 2004; and relates to the Inferred Resources of the Project Area

(***)- determined by applying the JORC Code 2004, and relates to the Measured and Indicated Resources of the Project Area

Note (i) -This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The new business model for the Boikarabelo Coal Mine has resulted in the following variations to the 2010 Release:

Coal Resources

The Measured and Indicated Tonnes of 664.2 million tonnes have increased to 994.81 million tonnes. This is attributable to an increase in the Measured Resource Area as a result of additional drilling.

Coal Reserves

The Marketable Coal Reserves have reduced from 430.6 million tonnes to 267.09 million tonnes and are now based on:

- an export quality product with an average of 14% ash and an average 25.73 MJ/kg calorific value determined on an Air Dried (AD) basis; and
- a domestic power station product with an average 19.5 MJ/kg calorific value and an average 31.43 % ash determined on an AD basis.

The export quality product has an average yield of 23.68% and the domestic power station product has an average yield of 19.61 %. This equates to an overall average yield of 43.3%.

The run of mine (ROM) of 616.85 million tonnes equates to a life of mine in excess of 40 years at an annual production rate of 15.12 million tonnes and sales for a similar period at a rate of 6.55 million tonnes per annum (Production Target). The material assumptions on which this Production Target is based are:

- open pit truck and shovel terrace operation,
- minimum coal seam/mining height thickness of 0.5m,
- dual product mine applying a minimum total yield cut off of 24%,
- appropriate pit slope angles (overall 45°),
- appropriate mining recovery factors, dilution and contamination; and
- beneficiation of the coal for a dual product in a high density beneficiation plant and applying appropriate plant factors.

The Production Target is based purely on Probable Coal Reserves and these Coal Reserves have been signed off by the Competent Persons.

Mining tenements

The coal mining rights and exploration tenements held at the end of the quarter were as follows:

- MPT 169 MR (74%)
- PR678/2007 (74%)
- PR720/2007 (74%)

The Company has no interest in farm-in or farm-out agreements.

The Mining Right Application for Kubu, adjacent to Boikarabelo, was lodged at the end of 2015. Kubu was previously known as Waterberg No 1 and encompasses the farm Koert Louw Zyn Pan (PR678/2007).

The Company is in the process of relinquishing PR720/2007, over the properties Lisbon and Zoetfontein, as these are distant from the Boikarabelo site and contain minimal resources that have not been included in the JORC resource.

On behalf of the Board of Directors

Yours faithfully

Mike Meintjes

Company Secretary

RESOURCE GENERATION LIMITED

Corporate information

Directors

Denis Gately	Non-Executive Chairman
Lulamile Xate	Non-Executive Deputy Chairman
Rob Croll	Non-Executive Director
Colin Gilligan	Non-Executive Director
Leapeetswe Molotsane	Non-Executive Director
Dr Konji Sebati	Non-Executive Director

Company secretary

Mike Meintjes

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Competent Persons' Statement

The information contained in this Quarterly which relates to estimates of Coal Resources and Coal Reserves is based on and accurately reflects reports prepared by Competent Persons named beside the respective information in the Table below. Mr Ben Bruwer is a Principal Consultant with VBKom (Pty) Ltd (VBKOM). Mr Riaan Joubert is the Principal Geologist employed by Ledjadja.

Summary of Competent Persons responsible for Coal Resources and Coal Reserves

Competent Person	Area of Competency	Professional Society	Year of Registration	Membership Number
R. Joubert	Coal Resources	SACNASP*	2002	400040/02 Member
B. Bruwer	Coal Reserves	SAIMM**	1994	701068 Member

*SACNASP - South African Council for Natural Scientific Professions

** SAIMM - Southern African Institute of Mining and Metallurgy

The above-named Competent Persons both consent to the inclusion of material in the form and context in which it appears in this Release. Both individuals are members of a Recognised Professional Organisation in terms of the JORC Code 2012, and both have a minimum of five years' relevant experience in relation to the mineralisation and type of deposit being reported on by them to qualify as Competent Persons as defined in the JORC Code 2012.

Neither Mr Bruwer, nor VBKOM has a material interest or entitlement, direct or indirect, in the securities of Resource Generation Ltd. Mr Joubert holds no shares in Resource Generation Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(1,896)	(3,425)
(c) production	-	-
(d) staff costs	(931)	(2,054)
(e) administration and corporate costs	(453)	(726)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	31	66
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (sale of game)	-	203
1.9 Net cash from / (used in) operating activities	(3,249)	(5,936)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(28)	(110)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(6 months)
		\$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(28)	(110)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(686)	(1,381)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(686)	(1,381)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	8,209	11,955
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,249)	(5,936)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(28)	(110)

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(686)	(1,381)
4.5	Effect of movement in exchange rates on cash held	271	(11)
4.6	Cash and cash equivalents at end of period	4,517	4,517

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	24
5.2	Call deposits	8,185
5.3	Bank overdrafts	-
5.4	Other (contract retentions)	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,209

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000
199
-

Directors' remuneration and consulting fees

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities <ul style="list-style-type: none"> • Unsecured loan (note 1) • Unsecured loan (note 2) 	27,789 5,753	27,789 5,753
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Note 1 US\$20 million was drawn down as an unsecured loan from Noble Group in March 2014. It is repayable in quarterly instalments of capital and interest over 8 years commencing in February 2017 and has an annual interest rate of 10.75%.

Note 2 EHL Energy (Pty) Limited are building the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction is subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan is unsecured and there are 11 quarterly instalments remaining to be paid as at 31 December 2016.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	(3,260)
9.3 Production	-
9.4 Staff costs	(1,146)
9.5 Administration and corporate costs	(493)
9.6 Other – loan repayments and mining-related deposits	(2,257)
9.7 Total estimated cash outflows	(7,156)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 30 January 2017

Print name: MICHAEL MEINTJES

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.