Resource Generation Limited

ACN 059 950 337

Quarterly Report
for the three months ended 30 June 2014

Resource Generation is developing its Boikarabelo coal mine in the Waterberg region of South Africa, which accounts for 40% of the country's remaining coal resources. There are probable reserves of 744.8 million tonnes of coal on 35% of the tenements under the company's control (refer ASX announcement dated 16 December 2010). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.*

Boikarabelo mine construction

Construction of the mine's infrastructure continued during the quarter. This included:

- construction camp for up to 1,320 persons;
- 40km rail link earthworks and bridge construction;
- 36.8 km of roads;
- permanent water supply infrastructure;
- construction power infrastructure; and
- construction office complex.

A site inspection was conducted by the Chief Executive Officer of Transnet Freight Rail (***TFR***) and key members of his senior management team, accompanied by the Department of Mineral Resources Limpopo Regional Manager and senior officers.

As previously announced, the main earthworks contractor, Protech Kuthele (Pty) Limited (***PK***), was placed initially into business rescue proceedings and then into liquidation in early July 2014. PK removed all staff from the mine site and terminated all activities, including those of its sub-contractor which was constructing three bridges under and over the rail line. This unforeseen development is expected to delay completion of the project by three to six months, with first coal production now estimated for the first half of 2016.

Recommencing earthworks for the rail link, roads and incomplete terraces require detailed surveys to establish bill of quantities for retendering. Whilst Resource Generation does not expect any difficulty in appointing an alternative earthworks contractor for a similar cost, commercial prudence requires a diligent process to be undertaken.

Work will continue in the interim period on several projects:

- completion of the construction camp including services for the full camp of 1,320 and installation of units for 400 people;
- smaller discrete earthworks to enable construction to continue on a network stabilisation facility for TFR, construction offices and water storage tank terraces;
- completion of the first three rail link bridges (seven in total);
- completion of main water supply infrastructure;
- commencement of 132 kvA main power infrastructure; and
- completion of the construction office complex.

Good progress was made during the quarter on the road underpasses for the water pipeline from the Marapong effluent treatment facility to Boikarabelo, which is an integral part of the mine's social and labour plan.

All regulatory consents have been received, all necessary land has been acquired and rail haulage and port access contracts sufficient for the mine's stage 1 production have been signed. Addenda to both the rail haulage contract and the port contract were signed during the quarter to defer take or pay commitments until the first half of 2016.


The construction camp, with new dining room under construction


Bridge construction on the rail link

Funding Status

Negotiations on term sheets for project finance to complete the mine have been protracted and whilst these continue, alternative funding solutions are also being negotiated. Progress was made during the quarter with three parties for the funding of mobile equipment totalling approximately $100 million.

Binding term sheets are in place with Noble Group for a US$65 million loan for construction of infrastructure and a US$55.3 million loan for construction of the rail link. US$20 million has been drawn down from the rail link loan.

Offtake contracts

Three long-term export offtake contracts have been entered into with CESC, Valu Investments and Noble Group. These contracts underwrite most of the forecast revenue from Boikarabelo's stage 1 production and a substantial portion of stage 2 production.

A domestic offtake contract for 3.0 million tonnes per annum of middlings coal has been entered into with Noble Group for the first eight years of production.

The company's current export coal contracts (in million tonnes per annum) are as follows:

	Stage 1		Stage 2					
	Y1-Y3	Y4-Y7	Y8	Y9-12	Y13-14	Y15-20	Y21-35	Y36-Y38
CESC	1.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0
Noble	0.5	0.5	0.5	1.5	2.0	2.5	2.5	
Valu	1.0	1.0	2.0	2.0	2.0	2.0		
Total	2.5	3.5	6.5	7.5	8.0	8.5	6.5	4.0

Note. If, as expected, stage 2 production commences earlier, both CESC and Valu tonnages will increase earlier by 1.0 mtpa.

Mining tenements

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

South Africa (Waterberg)

- MPT15/2012 MR (74%)
- PR720/2007 (74%)
- PR678/2007 (74%)

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

Corporate

Cash reserves at 30 June 2014 were $54.3 million.

Corporate information

Directors

Brian Warner	Non-Executive Chairman
Paul Jury	Managing Director
Steve Matthews	Executive Director
Geoffrey (Toby) Rose	Non-Executive Director

Company secretary
Steve Matthews

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Media
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** 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. Information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie Van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr Van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Van Wyk has given and has not withdrawn consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 31/9/2001.

Name of entity

Resource Generation Limited

ABN	Quarter ended ("current quarter")
91 059 950 337	30 June 2014

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 mths) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	-	(124)
	(b) development	(9,850)	(22,801)
	(c) production	-	-
	(d) administration	(613)	(5,752)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	441	1,713
1.5	Interest and other costs of finance paid	(2)	(1,008)
1.6	Income taxes paid	-	-
1.7	Other-forfeited Blumont deposit	-	2,500
	Net Operating Cash Flows	**(10,024)**	**(25,472)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments (subsidiary)	-	(287)
	(c) other fixed assets	(913)	(1,861)
1.12	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment	-	-
	(subsidiary)	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other- Government charges in relation to land acquisitions and borrowings	-	330
	Net investing cash flows	**(913)**	**(1,818)**
1.13	Total operating and investing cash flows (carried forward)	(10,937)	(27,290)

		Current quarter $A'000	Year to date (12 mths) $A'000
1.13	Total operating and investing cash flows (brought forward)	(10,937)	(27,290)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	(487)	62,425
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	22,046
1.17	Repayment of borrowings	-	(20,000)
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(49)	(2,026)
	Net financing cash flows	**(536)**	**62,445**
	Net increase (decrease) in cash held	(11,473)	35,155
1.20	Cash at beginning of quarter/year to date	67,019	21,428
1.21	Exchange rate adjustments to item 1.20	(1,209)	(2,246)
1.22	**Cash at end of quarter**	**54,337**	**54,337**

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	271
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Executive salaries and directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

Two binding term sheets have been entered into with the Noble Group. A US$55.3 million loan is available for the construction of the rail link and a US$65 million loan is available for site infrastructure. US$20 million has been drawn down from the rail link loan.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	127,707	22,046
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(20)
4.2	Development	(17,111)
4.3	Production	-
4.4	Administration	(538)
	Total	**(17,669)**

Reconciliation of cash

	Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	63	71
5.2	Deposits at call	53,888	66,790
5.3	Bank overdraft	-	-
5.4	Other (Contract retentions)	386	158
	Total: cash at end of quarter (item 1.22)	**54,337**	**67,019**

Changes in interests in mining tenements

		Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	N/A	N/A	N/A	N/A

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security ($)	Amount paid up per security ($)
7.1	**+Preference securities** *(description)*	N/A			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3	**+Ordinary securities**	581,380,338	581,380,338	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil Nil			
7.5	**+Convertible debt securities** *(description)*	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	**Options** *(description and conversion factor)*	Nil			
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	**Debentures** *(totals only)*	N/A			
7.12	**Unsecured notes** *(totals only)*	N/A			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 29 July 2014
(Company secretary)

Print name: STEPHEN JAMES MATTHEWS

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 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.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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