Resource Generation Limited

ACN 059 950 337

Quarterly Report
for the three months ended 31 December 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, while debt funding was being finalised, in order to shorten the overall construction time. This included:

- construction camp for up to 1,320 persons;
- rail link bridges;
- power supply infrastructure;
- construction office complex;
- rail network stabilisation facility (***NSF***);
- earthworks relating to the construction offices, power supply and the NSF;
- permanent water supply infrastructure; and
- 13 kilometres of water pipeline adjacent to public roads.

At the construction camp, services, kitchen and dining facilities have been installed for 1,320 people. Accommodation units have been installed to allow 400 persons to take up immediate occupation.

Construction of the first three bridges (total of seven) under and over the rail line was completed, with some remaining punch list items being completed during January.

EHL Energy (Pty) Limited commenced erecting power poles for the 132kv power transmission lines. Earthworks for the substation and switch room were completed, and their construction, which is funded by a deferred payment facility, is scheduled for completion by October 2015.

The construction offices were completed and site personnel moved in prior to Christmas.

Earthworks for the NSF were substantially completed, and final drainage and retaining walls are being finished in January. The rail turnouts and associated signalling will be installed mid-year.

Permanent water supply infrastructure was completed, including holding tanks and pumping facilities, initially from the main borehole on Zeekoevley. This will be used during construction of the mine and later will become one of the main water sources for mine operations.

The Marapong effluent treatment facility in Lephalale and the 58 kilometre pipeline to Boikarabelo are an integral part of the mine's social and labour plan, and earthworks were completed for a 13 kilometre section of the pipeline adjacent to a main road. Pipes were delivered and are being installed during the current quarter.

Other than finalisation of the bridges and NSF earthworks during January, the only site construction during the March 2015 quarter will be power infrastructure and the 13 kilometre section of pipeline. Other activities have been deferred until debt funding is finalised.

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. As mentioned below, contracts have been signed that underwrite most of stage 1 production.

The dining room at the construction camp

13 km pipeline trench

Bridge construction on the rail link

Network Stabilisation Facility

Coal handling and preparation plant (*CHPP*)

A construction management contract was signed during the quarter for the management of on-site mechanical and electrical installations for the CHPP. This contract is with FLSmidth Roymec (Pty) Limited, the South African black economic empowerment subsidiary of FLSmidth & Co, the leading supplier of complete plants, equipment and services for the global minerals industry. Commencement of fabrication and supply is conditional on completion of debt funding. All detailed designs and specifications have been completed.

Mobile equipment

A supply agreement was also signed during the quarter with Komatsu Southern Africa Pty Ltd for the supply of mobile equipment for mining operations. This is supported by a loan facility of up to US$113 million by Komatsu Financial Limited Partnership for the full cost of the mobile equipment fleet. The agreements will not be activated until the balance of the debt required to complete project construction has been secured.

Debt funding

Management has continued to pursue debt funding of approximately $400 million required to complete construction of site infrastructure and the rail link. Although negotiations have been protracted, their continuation indicates that all parties seek to agree a structure that provides the funding. Noble Group's loans, which have been announced previously, may form part of a consortium's debt finance.

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 in 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 31 December 2014 were $37.9 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 under the JORC Code 2012. 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 2012 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	31 December 2014

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 mths) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(38)	(162)
	(b) development	(11,030)	(18,645)
	(c) production	-	-
	(d) administration	(936)	(1,458)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	145	400
1.5	Interest and other costs of finance paid	(2)	(3)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	**(11,861)**	**(19,868)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments (subsidiary)	-	-
	(c) other fixed assets	(46)	(338)
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	-	-
	Net investing cash flows	**(46)**	**(338)**
1.13	Total operating and investing cash flows (carried forward)	(11,907)	(20,206)

		Current quarter $A'000	Year to date (6 mths) $A'000
1.13	Total operating and investing cash flows (brought forward)	(11,907)	(20,206)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(50)	(98)
	Net financing cash flows	**(50)**	**(98)**
	Net increase (decrease) in cash held	(11,957)	(20,304)
1.20	Cash at beginning of quarter/year to date	45,944	54,337
1.21	Exchange rate adjustments to item 1.20	3,909	3,863
1.22	**Cash at end of quarter**	**37,896**	**37,896**

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	147,410	22,046
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(20)
4.2	Development	(12,672)
4.3	Production	-
4.4	Administration	(642)
	Total	**(13,334)**

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	86	50
5.2	Deposits at call	37,218	45,398
5.3	Bank overdraft	-	-
5.4	Other (Contract retentions)	592	496
	Total: cash at end of quarter (item 1.22)	**37,896**	**45,944**

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: (Company secretary) Date: 21 January 2015

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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