



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 September 2012

Resource Generation is developing the Boikarabelo coal mine in the Waterberg region of South Africa where there are probable reserves of 744.8 million tonnes of coal on 35% of the tenements under its control. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.

PRESENT STATUS

- A financing syndicate has been mandated to provide approximately USD400 million by way of a project finance facility for the development of the Boikarabelo mine. The syndicate is now progressing towards formal credit approvals for the facility.
- Assuming project finance is achieved, the company will progress to an equity raising for the balance of the funds needed to develop the mine.
- Key achievements over the past four years have been:
 - Obtaining a 30 year mining right.
 - Obtaining life-of-mine development consent for construction of the mine and the rail link to the existing network.
 - Obtaining an integrated water use licence, that includes utilising borewater from the company's properties, which will be sufficient for stage 1 of operations.
 - Sufficient power supply arranged for stage 1 of operations.
 - Acquisition of all land required for the mine and for the rail link, including some servitude arrangements.
 - Signing a long-term haulage contract with Transnet.
 - Two significant export contracts to supply thermal coal to Indian customers.
 - A fully compliant BEE structure.
- All major regulatory hurdles have been overcome.
- If funding is completed by the end of 2012, construction of the mine, its infrastructure and the rail link is expected to take 24 months, with Stage 1 saleable production (6 million tonnes per annum) beginning at the start of 2015.
- Construction of Stage 2, planned to increase saleable production to more than 20 million tonnes per annum, can be funded from cash flow.



PROGRESS DURING THE QUARTER

Financing Syndicate Mandated

Since the end of the quarter, the company's BEE subsidiary, Ledjadja Coal, has awarded a mandate to six South African and global banks and other financiers to provide project debt finance for the construction of the Boikarabelo mine. The financiers are:

- Absa Capital, a division of Absa Limited, a member of the Barclays Bank Group;
- Caterpillar Financial SARL;
- FirstRand Bank Limited, acting through its Rand Merchant Bank division;
- Hong Kong & Shanghai Banking Corporation (HSBC);
- Nedbank Capital, a division of Nedbank Limited; and
- Standard Chartered Bank.

This mandate followed an extensive tender process and negotiation of key commercial terms. Subject to obtaining final credit approval and completing finance and security documents, the financiers will provide approximately 60% of the total funds required for mine construction.

Due diligence reports have been prepared by independent experts engaged on behalf of the financiers. The experts are Bowman Gilfillan, Coffey Mining, Jardine Lloyd Thompson, KPMG and Wood McKenzie and their reports are under review by the financiers.

The financiers are now progressing towards formal credit approvals for the facility and these are targeted for receipt in early November. Financial close and first funding are expected to be subject to conditions precedent typical of project finance facilities, including raising sufficient equity capital to fully fund the balance of the expected capital expenditure for mine development.

The proposed terms of the facility include:

- A term of 9 years, including the construction period.
- A senior debt facility of around USD400 million plus associated facilities (including a working capital facility).
- The senior debt facility will be provided via a mix of USD and ZAR loans and is on normal commercial terms.

Based on the current timetable, once formal credit approval is obtained Resource Generation will proceed with an equity capital raising. It is hoped that this can be completed by mid-December 2012, which would enable development of the Boikarabelo mine to proceed in January 2013.

Assuming credit approval for the debt funding, supported by the results of the due diligence, the company is confident that the mine's projected cash flow potential and value will be recognised in the price of the proposed equity raising. However, the terms of the equity raising and participants in the raising are still to be determined.



Reduction in capital expenditure

The company was able to reduce the estimated capital cost of the Boikarabelo coal mine during the quarter by USD120 million to USD630 million (real). This reflects flexibility provided by Eskom's commitment to supply sufficient power for stage 1 of the mine's operation as early as 2014, after the first generating unit at its new Medupi power station is in commercial operation. This will meet the company's target of beginning coal production early in 2015.

The cost of Boikarabelo's planned 45MW power station, for which tenders have been received, has been removed from the capital expenditure estimate for stage 1 of Boikarabelo's operations. A decision on whether to proceed with this will now not take place until 2013.

Potential resource increase

During the quarter, Exxaro Resources exercised its put option under which it could require Ledjadja Coal to acquire further coal tenements from Exxaro. The exercise of the put option is subject to approval by the Department of Mineral Resources (**DMR**) under Section 11 of the Mineral and Petroleum Resources Development Act, 2002.

The coal tenements are contiguous to the company's existing tenements, including Swelpan and Kleinpan which land is owned by Resource Generation. The consideration payable is not material. The tenements can be added to Boikarabelo's existing mining rights to secure their tenure, subject to DMR approval. No amounts are due to be paid until the DMR has approved the transfer to Ledjadja, Resource Generation's BEE subsidiary. From prior experience with Section 11 approvals, this process is not likely to be completed before mid-2013.

Should the DMR approve the transfer, the Boikarabelo mine will increase its total resources by 31%*. The following table reflects resources and reserves, excluding 50% for shale content, after the transfer.

Measured Resource (Mt)	Indicated Resource (Mt)	Inferred Resource (Mt)	Total Resource (Mt)	Probable Reserve (Mt)
1,090.5	1,526.2	1,479.6	4,096.3	744.8

Eskom update

Negotiations with Eskom on the contractual terms for the initial supply of 3 million tonnes of thermal coal per annum are now at a mature stage.

Coal handling and preparation plant update

A detailed review and analysis of the two front-end engineering designs, completed by major providers of coal handling and preparation plants, were completed during the quarter. The optimal solution has been determined from both a functional and cost perspective and is being incorporated into the mine's design.

CAMEROON

There was no activity during the quarter on Resource Generation's uranium tenements in Cameroon.



CORPORATE

Cash reserves at 30 September 2012 were \$8.9 million.

The main focus for the next quarter will be finalising the project finance for the development of the Boikarabelo mine and the subsequent equity raising to meet the required total expenditure required to develop the mine.

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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** 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, 30/9/2001.

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(23)	(23)
	(b) development	(2,318)	(2,318)
	(c) production	-	-
	(d) administration	(201)	(201)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	168	168
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(2,377)	(2,377)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(281)	(281)
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 development expenditure (refundable)	601	601
	Net investing cash flows	320	320
1.13	Total operating and investing cash flows (carried forward)	(2,057)	(2,057)



		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(2,057)	(2,057)
	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)	(1,161)	(1,161)
	Net financing cash flows	(1,161)	(1,161)
	Net increase (decrease) in cash held	(3,218)	(3,218)
1.20	Cash at beginning of quarter/year to date	12,116	12,116
1.21	Exchange rate adjustments to item 1.20	(43)	(43)
1.22	Cash at end of quarter	8,855	8,855

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.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-



Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(39)
4.2	Development	(3,860)
4.3	Production	-
4.4	Administration	(845)
Total		(4,744)

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	148	148
5.2	Deposits at call	8,707	8,707
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	-	-
Total: cash at end of quarter (item 1.22)		8,855	8,855

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 (<i>description</i>)	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	262,895,652	262,895,652	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil			
7.5	+Convertible debt securities (<i>description</i>)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (<i>description and conversion factor</i>)	450,000 1,875,000 1,875,000 250,000 450,000 250,000 350,000 350,000 375,000 375,000 500,000	Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> \$0.25 \$0.50 \$0.50 \$0.50 \$0.60 \$0.70 \$1.00 \$1.50 \$1.55 \$1.85 \$2.05	<i>Expiry date</i> 28/11/2012 31/12/2012 7/7/2013 17/3/2013 28/11/2012 17/3/2013 17/3/2013 17/3/2013 28/5/2013 28/5/2013 28/5/2013
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures (<i>totals only</i>)	N/A			
7.12	Unsecured notes (<i>totals only</i>)	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:

A handwritten signature in black ink, appearing to read "Stephen James Matthews".

(Company secretary)

Date: 16 October 2012

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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