



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 31 March 2013

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

- Mine construction activities have commenced, with the site now classified as an operating mine site. Initial activities encompass site infrastructure, roadworks and water and power connections.
- A strategic partnership has been entered into with Noble under which
 - Noble acquired a 7.5% shareholding at 40c per share;
 - A US\$123 million loan facility has been provided by Noble;
 - Noble has entered into a 35 year off-take contract; and
 - Noble has been appointed the supply chain manager and exclusive marketing agent for Boikarabelo.
- Due to the delay experienced prior to the receipt of the project finance offers, a secured debenture was issued to the Noble Group (*Noble*) to raise \$20 million cash to augment available funding and commence initial construction activities at Boikarabelo.
- The financiers mandated to provide a project finance facility for the development of the Boikarabelo coal mine provided credit-approved offers of project finance. The offers deviated from the agreed terms sheet credit approvals for the facility and included commercial conditions which are unacceptable to the company. Negotiations on these conditions are continuing.
- Funding is being undertaken in stages, including equipment finance and utilisation of Noble's debt facility as a platform for continuing to secure project funding. An equipment finance facility offer has been received from Caterpillar Finance for the mobile equipment and negotiations are underway to finalise the terms, which if not resolved will lead to the equipment being tendered to the major manufacturers. Tenders have also been released for the materials handling equipment, which include finance optionality. Discussions are proceeding with financial institutions to join Noble for a debt facility.
- Key achievements to date have been:
 - Obtaining a 30 year mining right.
 - 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 bore water from the company's properties, which will be sufficient for stage 1 of operations.
 - A rail haulage contract with Transnet with confirmed allocation to meet export and domestic sales requirements for stage 1 of operations.



- A port access contract which is sufficient for stage 1 export requirements.
 - Three significant export contracts to supply thermal coal to Indian customers and a global trader.
 - Acquisition of all land required for the mine and for the rail link.
 - Sufficient power supply arranged for stage 1 of operations.
 - A fully compliant BEE structure.
 - A strategic partnership with Noble.
- The project's sovereign risk has been minimised as a result of overcoming all major regulatory hurdles faced by the company.
 - The Waterberg region accounts for 40% of South Africa's remaining coal resources and Boikarabelo has probable reserves of 744.8 million tonnes* on 35% of its tenements.

PROGRESS DURING THE QUARTER

Noble Debenture and Offtake Contract

Early in the quarter, a secured debenture was issued to Noble to raise \$20 million cash to augment available funding and commence initial construction activities at Boikarabelo.

A third export coal offtake contract for the Boikarabelo project was also entered into with Noble for the supply of 2.5 million tonnes of coal over a five year period, after production commences at the Boikarabelo mine. Coal prices will be set by reference to an internationally recognised index at the time of each shipment.

Financing Syndicate Progress

The financiers mandated to provide a project finance facility for the development of the Boikarabelo coal mine provided credit-approved offers of project finance during the quarter. The offers deviated from the agreed terms sheet for credit approvals for the facility and included commercial conditions which are unacceptable to the company. Negotiations on these conditions are continuing.

Resource Generation thus announced that it is considering alternative sources of funding to construct Boikarabelo. This process will allow greater flexibility and without contingencies and costs associated with debt funding, capital expenditure is estimated at \$530 million, which includes \$100 million for mobile equipment. By securing finance from alternative sources to part-fund this expenditure, the company will have flexibility to raise the remaining capital required to complete construction of the mine by way of equity or debt at a later time. The US\$123 million loan from Noble (refer below) and the Caterpillar equipment finance offer are the first steps towards completing funding.

Strategic Partnership with Noble

In addition to subscribing for 7.5% of Resource Generation's equity at \$0.40 per share at the end of the quarter, Noble has agreed to provide Resource Generation with a secured loan facility of up to US\$123 million on normal commercial terms. The facility can be drawn down until 31 December 2013 and will be repayable 21 months after the first draw-down. This loan facility is in addition to the \$20 million secured debenture issued to Noble in January 2013.

Noble has increased the tonnages and term of the off-take contract agreed earlier from 2.5 million tonnes which was to be supplied over five years to the following:

<u>Delivery Period</u>	<u>Annual Quantity</u> <u>(Tonnes)</u>
Years 1-8	500,000
Years 9-12	1,500,000
Years 13-14	2,000,000
Years 15-35	2,500,000

Prices will be set by reference to an internationally recognised index at the time of each shipment.

Resource Generation has also entered into an exclusive supply chain management and marketing agreement with Noble under which Noble will manage the supply chain and marketing of Boikarabelo's domestic and export coal sales for 35 years.

Physical Progress on Site

Mine construction activities commenced at Boikarabelo in mid-February, with the site now classified as an operating mine site. Initial activities encompass site infrastructure, roadworks and water and power connections. Good progress has been made to date. Depicted below are some of the local workforce of equal gender split, who are employed in the mine construction.



Preparation for Construction

Together with the EPCM providers for the construction of the mine, tenders have been issued for longer lead time items and packages for the early stages of construction. Aveng E+PC is assisting the company with the preparation plant designs and associated tenders. RSV Enco is assisting the company with the infrastructure designs and associated tenders, including for the mobile equipment, which will be released shortly.

CAMEROON

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



CORPORATE

Cash reserves at 31 March 2013 were \$25.7 million. These funds are after receiving \$20 million from Noble through a secured debenture and \$8.5 million raised by way of an equity placement to Noble at \$0.40 per share.

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

Registered Office

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Contacts

Paul Jury
Steve Matthews

Media

Anthony Tregoning, FCR on (02) 8264 1000

** 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")

31 March 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(5)	(43)
	(b) development	(1,993)	(7,916)
	(c) production	-	-
	(d) administration	(811)	(1,550)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	147	404
1.5	Interest and other costs of finance paid	(5)	(8)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(2,667)	(9,113)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(6,347)	(6,817)
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, borrowings and development expenditure (refundable)	129	860
	Net investing cash flows	(6,218)	(5,957)
1.13	Total operating and investing cash flows (carried forward)	(8,885)	(15,070)

		Current quarter \$A'000	Year to date (9 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(8,885)	(15,070)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8,541	8,654
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	20,000	20,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	(54)	(1,323)
1.19	Other (Mining Licence Deposit)	-	1,846
1.19	Other (Cost of Borrowings)	(500)	(500)
	Net financing cash flows	27,987	28,677
	Net increase (decrease) in cash held	19,102	13,607
1.20	Cash at beginning of quarter/year to date	6,551	12,116
1.21	Exchange rate adjustments to item 1.20	27	(43)
1.22	Cash at end of quarter	25,680	25,680

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.

On 8 January 2013, the company issued a secured debenture to Noble and received \$20 million cash to augment available funding and progress construction activities at its Boikarabelo coal mine. The debenture is repayable in December 2013. A US\$123 million loan facility agreement was entered into with Noble on 28 March 2013.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	137,974	20,000
3.2	Credit standby arrangements	-	-



Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(261)
4.2	Development	(8,179)
4.3	Production	-
4.4	Administration	(729)
Total		(9,169)

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	10	203
5.2	Deposits at call	25,670	6,348
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	-	-
Total: cash at end of quarter (item 1.22)		25,680	6,551

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	284,698,002	284,698,002	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	21,352,350 Nil	21,352,350	\$0.40	\$0.40
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)	1,875,000 1,875,000 375,000 375,000 500,000	Nil Nil Nil Nil Nil	<i>Exercise price</i> \$0.50 \$0.50 \$1.55 \$1.85 \$2.05	<i>Expiry date</i> 7/7/2013 13/3/2014 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	250,000 250,000 350,000 350,000	Nil Nil Nil Nil	\$0.50 \$0.70 \$1.00 \$1.50	17/3/2013 17/3/2013 17/3/2013 17/3/2013
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:

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

(Company secretary)

Date: 18 April 2013

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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