

Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 June 2020 (Quarter)

Resource Generation Limited (the “Company” or “Resgen”) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine (“the mine”) in South Africa’s Waterberg coalfield. The Waterberg coalfield accounts for around 40% of the country’s currently known coal resources. The Coal Resources and Coal Reserves for the Boikarabelo Coal Mine, held through the Company’s operating subsidiary Ledjadja Coal, were updated in 2016 based upon a new mine plan and execution strategy. The Boikarabelo Coal Resources total 995Mt and the Coal Reserves total 267Mt applying the JORC Code 2012 (ASX Announcement 23 January 2017 - In accordance with Listing Rule 5.23.2 the Company confirms that it is not aware of any new information that would impact on the reported Coal Resources and Coal Reserves). Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment (BEE) subsidiary operating under South Africa’s Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice.

Resgen’s primary shareholders are the Public Investment Corporation of South Africa (PIC), Noble Group and Altius Investment Holdings.

Project Funding

Mine Funding Package

On 5 December 2019, the Company announced the execution of binding arrangements for the funding of the Boikarabelo Coal Mine (**Mine Funding Package**) which remains subject to a number of conditions requiring satisfaction, deferral or waiver by the Lenders (**Conditions Precedent or CPs**) before the transaction completes and becomes effective (**Financial Close**). These conditions include those customary for Lender’s to manage risk exposures in transactions of this nature.

Since execution of the Mine Funding Package the Company has diligently focused on satisfying the Conditions Precedent and has made significant progress in satisfying most of the Conditions Precedent including the rail link funding as detailed below. However, a small number of Conditions Precedent remain outstanding including finalising a ramp-up working capital facility, working with the mining contractor to secure funding for the yellow goods, finalising logistics contracts and arranging a back-to-back domestic coal sale contract with Eskom. In addition to pursuing satisfaction of these conditions the Company and Ledjadja Coal have also approached the Lenders with a request to waive or convert certain of these to Conditions Subsequent.

The Funding Calendar was updated and advised to the market on 3 July 2020. The update was based on Management’s best estimate of an achievable timeline for addressing the key tasks required to finalise the remaining Conditions Precedent. Based on the updated Funding Calendar and recent interactions with the Lenders the target for Financial Close is now the end of September 2020.

A Deed of Amendment to the Common Terms Agreement for the Mine Funding Package extending the Sunset Date for achieving Financial Close from 30 June to 30 September 2020 has been confirmed in principle by all Lenders. Execution of the Deed remains at various stages of finalisation under the Lenders' governance processes however all parties are performing on the basis that this extension is in place.

Final submissions for collation and subsequent consideration by the Lenders' Credit Committees are due in the second half of August and any request for waivers or deferral of certain CPs at that time remain subject to agreement by these governance bodies during September 2020.

Rail Link Funding

On 5 May 2020, the Company announced that its subsidiary, Ledjadja Coal Pty Ltd (**Ledjadja Coal**), has entered into non-binding equity and debt term sheets (**collectively, the Term Sheets**) with Pan African Infrastructure Development Fund 2 SA and PAIDF2 LLC under the management of Harith General Partners Proprietary Limited (**Harith**) for the funding of the Boikarabelo Coal Project Rail Link.

After the end of the Quarter, on 16 July 2020 the Company confirmed that Harith had obtained all requisite approvals for the Term Sheets executed with Ledjadja Coal Pty Ltd. The Term Sheets, whilst now binding on the Parties, remain subject to the fulfilment of various Conditions Precedent including conclusion of definitive transaction agreements, regulatory approvals including the registration of each servitude to effect the transaction and the Mine Funding Package (see ASX Announcement: 5 December 2019) being fully funded and unconditional.

Preparation of the definitive transaction agreements comprising the terms and conditions set out in the Terms Sheets are well progressed with a target for finalisation and execution in September 2020.

Director resignation

Manish Dahiya is no longer an employee of Noble Group and consequently resigned as Alternate Director for Greg Hunter after the end of the Quarter.

Capital Structure and Cash Position

The Company's summarised capital structure at 30 June 2020 is as follows:

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	3,000,000
Cash at bank:	\$0.30 million
Noble Facility – undrawn	\$US2.0 million

On 19 June 2020, the Company confirmed that legal documentation had been finalised and executed for an additional working capital facility of US\$2.25m in the form of an Eighth Deed

of Amendment to the Facility Agreement with Noble Group dated 3 March 2014 (**Eighth Deed**). The additional working capital facility under the Eighth Deed had an availability period through to 30 June 2020 at which time only \$250,000 had been received. The Company was then able to agree the following amendments to the Eighth Deed:

- Extension of the period of availability of the undrawn facility totalling US\$2m to 31 July 2020; and
- Extension of the first date for repayment under the Facility Agreement to 30 September 2020 to align with the new Sunset Date of the Common Terms Agreement with the Lenders for the Mine Funding Package.

Shareholders and potential investors should also review the Company's 2019 Annual Report and the audited Interim Financial Report for the six months ending 31 December 2019 to fully appreciate the Company's financial position.

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%)

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

The Mining Right Application for Waterberg #1 was lodged at the end of 2015 and the Company is awaiting the outcome of this process. Waterberg #1 encompasses the farm Koert Louw Zyn Pan (PR678/2007) and is adjacent to the Boikarabelo Coal Mine.

The Company will keep the market informed in accordance with its continuous disclosure obligations.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes
Company Secretary
RESOURCE GENERATION LIMITED

Corporate information

Directors

Lulamile Xate	Non-Executive Chairman
Rob Croll	Lead Independent Non-Executive Director
Greg Hunter	Non-Executive Director
Colin Gilligan	Independent Non-Executive Director
Michael Gray	Independent Non-Executive Director
Leapeetswe Molotsane	Interim Managing Director and CEO
Dr Konji Sebati	Independent Non-Executive Director

Company Secretary

Mike Meintjes

Registered office

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Company contacts

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Media contacts

South Africa
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Competent Persons' Statements

The information contained in this Quarterly Report relates to estimates of Coal Resources and Coal Reserves and is based on and accurately reflects reports prepared by Competent Persons named beside the respective information in the table below. Mr Riaan Joubert is the Principal

Geologist contracted by Ledjadja Coal. Mr Ben Bruwer is a Principal Consultant with VBKom (Pty) Ltd (VBKOM).

Summary of Competent Persons responsible for the Coal Resources and Coal Reserves

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

*SACNASP - South African Council for Natural Scientific Professions

**SAIMM - Southern African Institute of Mining and Metallurgy

The above-named Competent Persons consent to the inclusion of material in the form and context in which it appears in this Quarterly Report. Both are members of a Recognised Professional Organisation in terms of the JORC Code 2012 and 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 Mr Joubert, or VBKOM, have material interest or entitlement, direct or indirect, in the securities of Resource Generation Limited.

Forward looking statements

This Quarterly contains certain forward-looking statements. Forward-looking statements include those containing words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Any forward-looking statements, opinions and estimates provided in this Quarterly are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of ResGen. This includes any statements about the terms on which ResGen might obtain funding for the Project. To the maximum extent permitted by law, the directors of ResGen, ResGen and any of its related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfillment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

The Mine Funding Package and Term Sheets referred to in this Quarterly whilst binding remain subject to a various conditions precedent. Negotiations and the required further actions described in those Term Sheets are ongoing and incomplete and there is no certainty that a Project funding transaction will be concluded based on the terms set out in the Mine

Funding Package and Term Sheets (or at all). ResGen makes no representations or warranties whatsoever as to the outcome.

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")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	-	-
1.2 Payments for			
(a) exploration & evaluation	-	-	-
(b) development	(949)	(3,326)	
(c) production	-	-	-
(d) staff costs	(560)	(2,243)	
(e) administration and corporate costs	(370)	(1,533)	
1.3 Dividends received (see note 3)	-	-	-
1.4 Interest received	11	85	
1.5 Interest and other costs of finance paid	-	-	-
1.6 Income taxes paid	-	-	-
1.7 Government grants and tax incentives	-	-	-
1.8 Other (provide details if material)	-	-	-
1.9 Net cash from / (used in) operating activities	(1,868)	(7,017)	
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities	-	-	-
(b) tenements	-	-	-
(c) property, plant and equipment	-	-	-
(d) exploration & evaluation	-	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,319	6,481
3.6	Repayment of borrowings	-	(526)
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	1,319	5,955

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	897	1,474
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,868)	(7,017)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,319	5,955
4.5	Effect of movement in exchange rates on cash held	(25)	(89)
4.6	Cash and cash equivalents at end of period	323	323

5. Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	16	64
5.2 Call deposits	307	833
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	323	897

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	159
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	
<i>Directors' remuneration</i>	
<i>Payments to related parties of the entity and their associates (6.1) includes the remuneration of Directors for the quarter ending 30 June 2020.</i>	

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<p><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i></p> <p><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i></p>			
7.1	Loan facilities	71,479	68,571
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	71,479	68,571
7.5	Unused financing facilities available at quarter end		2,909
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The Company has a Facility Agreement under which Noble Resources International Pte Ltd has agreed to make available funds of up to US\$49.1 million to the Company's subsidiary, Ledjadja Coal (Pty) Ltd, to fund the operations and development of the Boikarabelo Coal Mine whilst funding to complete the project is secured. US\$47.1 million has been drawn down as at 30 June 2020. The loan is repayable in quarterly instalments over 78 months commencing from 30 September 2020 and has an annual interest rate of 10.75%. The Company has provided a Parent Company Guarantee for the Facility along with a pledge over Resgen's interest in 74% of the shares in Ledjadja, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,868)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,868)
8.4	Cash and cash equivalents at quarter end (item 4.6)	323
8.5	Unused finance facilities available at quarter end (item 7.5)	2,909
8.6	Total available funding (item 8.4 + item 8.5)	3,232
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.73
<p><i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i></p>		
8.8	<p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: Yes</p>	

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The Company is in the process of completing the outstanding Conditions Precedent to achieve Financial Close and enable drawdown of funds under the Project Funding Agreements executed on 5 December 2019 (Mine Funding Package) by the Sunset Date in the Common Terms Agreement of 30 September 2020. Whilst certain matters are outside of the direct control of the Company, at the date of this Quarterly Activities Report, achievement of Financial Close remains reasonably probable.

The Company needs to achieve the 30 September 2020 deadline to be able to access the facilities under the Mine Funding Package to continue as a going concern. Access to the facilities is also required to cover certain Project development related contractor and legal fees to be incurred during the Quarter to finalise certain Conditions Precedent.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, refer to 8.8.2 above.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date:31 July 2020.....

Authorised by:Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles*

and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.