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Resource Generation Limited

ACN 059 950 337

Quarterly Report
for the three months ended 30 September 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

On 4 September 2020, the Company advised that Ledjadja Coal, the Borrower under the terms of the Mine Funding Package (ASX Announcement: 5 December 2019) had made significant progress with respect to satisfying the majority of the Conditions Precedent to Financial Close and had formally requested that the Lenders either:

- Defer a limited number of Conditions Precedent to a date post Financial Close due to the practical inability of satisfying the said Conditions Precedent before the end of September 2020; or
- Consider proposed viable alternative solutions with respect to those specific Conditions Precedent, which could be satisfied before Financial Close.

The Lenders Project Team responded to the formal requests detailed above and advised that they would not be approaching their respective Credit Committees until the following key Conditions Precedent are met:

- Execution of a binding Ramp-up Working Capital Facility Agreement;
- Execution of a binding and fully funded Mine Services Contract; and
- Execution of a domestic back to back Offtake Agreement with Noble Group to meet the Eskom BEE procurement conditions.

At that time and based on significant progress achieved in negotiations, Management was of the view that execution of both a binding Ramp-up Working Capital Facility Agreement and fully funded Mining Services Contract could be completed by the end of October 2020. Noble Group had also indicated that a domestic back to back Offtake Agreement could also be concluded within that timeframe.

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On the reasonable assumption that the key Conditions Precedent could be met by the end of October 2020, Lenders were expected to be in a position to approach their respective Credit Committees during the month of November 2020. Management therefore approached Lenders based on the revised target timeline to seek a further extension of the Long Stop Date under the Common Terms Agreement (ASX Announcement: 10 September 2020).

In addition to agreement on the extension of the Long Stop Date, the Group then required (i) access to additional working capital funding to bridge the delay in achieving Financial Close; and (ii) deferral of the first repayment date under the Facility Agreement (**Facility Agreement**) executed with Noble Group dated 3 March 2014, as amended, from 30 September 2020 to at least 30 November 2020. Management instigated dialogue with Noble Group in this regard along with investigating other possible sources of funding.

Post quarter end on 22 October 2020, the Company advised that Noble Group was willing to extend the first repayment date under the Facility Agreement from 30 September 2020 to 28 February 2021, subject to completion of legal documentation. Noble Group however advised that it was unable to provide the Company with access to any additional working capital under the Facility Agreement.

In light of this development, the Company required time to develop an action plan to address the short -term funding requirement to cover the period through to Financial Close by the target at that time of 30 November 2020 and to cover the possibility of an uncontrollable slippage. This action plan involved reconfirming with all Lenders under the Mine Funding Package the status of formally agreeing to an extension of the Long Stop Date under the Common Terms Agreement. This request also requested confirmation that satisfaction of the key Conditions Precedent by the end of October would enable Lenders to seek their respective Credit Committee approvals by the end of November 2020.

Whilst seeking formal sign offs referred to above the Company was advised by the Industrial Development Corporation of South Africa Limited (IDC) (ASX Announcement: 28 October 2020) that after completing a due diligence investigation (for the purpose of the Long Stop Date extension) a view has been formed that the market conditions under which the Boikarabelo Coal Project would operate had deteriorated materially. Based on the findings, the IDC's Special Credit Committee resolved that IDC should not grant an extension of the Common Terms Agreement. Further, the IDC Special Credit Committee also decided to cancel all previously approved facilities under the Mine Funding Package.

As a result of these recent events, at the date of this Quarterly Activities Report, the Company is in discussion with Noble Group, being the secured lender under the Facility Agreement with Ledjadja Coal (Pty) Ltd dated 3 March 2014 (as amended), on possible alternatives.

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

Capital Structure and Cash Position

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

Issued fully paid ordinary shares:	581,380,338
Performance share rights:	3,000,000
Cash at bank:	$1.41 million
Noble Facility – undrawn	$US 0.0 million

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.

On behalf of the Board of Directors
Yours faithfully

Mike Meintjes
Company Secretary
RESOURCE GENERATION LIMITED

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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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Facsimile: +27 86 539 3792
Website: www.resgen.com.au

Mailing address

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Company contacts

Lulamile Xate	+27 11 010 6310
Leapeetswe Molotsane	+27 11 010 6310

Media contacts

South Africa
Russell and Associates (Marion Brower) t: +27 11 880 3924 42 Glenhove Rd, Johannesburg 2196 Gauteng, South Africa

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.

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Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Resource Generation Limited

ABN	**Quarter ended ("current quarter")**
91 059 950 337	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(736)	(736)
	(c) production	-	-
	(d) staff costs	(616)	(616)
	(e) administration and corporate costs	(335)	(335)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	11
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**	**(1,676)**	**(1,676)**

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	-	-

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Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 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	2,767	2,767
3.6	Repayment of borrowings	-	-
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**	**2,767**	**2,767**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	323	323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,676)	(1,676)
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 (3 months) $A'000**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,767	2,767
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	**Cash and cash equivalents at end of period**	**1,412**	**1,412**

5.	***Reconciliation of cash and cash equivalents*** *at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts*	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	144	16
5.2	Call deposits	1,268	307
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)**	**1,412**	**323**

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	229
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

Directors' remuneration

Payments to related parties of the entity and their associates (6.1) includes the remuneration of Directors for the quarter ending 30 September 2020.

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7.	***Financing facilities*** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	68,841	68,481
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	68,841	68,481

7.5	**Unused financing facilities available at quarter end**	-

7.6 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.

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. The full US$49.1 million has been drawn down as at 30 September 2020. The loan is repayable in quarterly instalments over 78 months commencing from 28 February 2021 (legal documentation still to be finalised) 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. Noble has indicated that even though (subject to completing the legal documentation) the first repayment date has been extended to 28 February 2021, it is unable to provide the Company with access to any additional working capital under the Facility Agreement.

8.	***Estimated cash available for future operating activities***	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,676)
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)	(1,676)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,412
8.5	Unused finance facilities available at quarter end (item 7.5)	0
8.6	Total available funding (item 8.4 + item 8.5)	(264)
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	-

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.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

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?

Answer:

An austerity budget was developed and implemented with effect from 1 September 2020 which forecasts a significant reduction in cash to be used in operating activities.

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: Refer to the Voluntary Suspension Request granted by the ASX on 26 October 2020 and subsequent Market Update dated 28 October 2020.	
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: .....30 October 2020.....

Authorised by: Resgen 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.

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