



14 October 2016

ASX Announcement

Shareholder Update: Boikarabelo Development Timetable

Dear fellow shareholders

Since my last report on 1 June 2016, our company has taken significant steps towards our objective of constructing the Boikarabelo mine and delivering coal to market in approximately two years. I want to pay tribute to the tireless efforts of our executive team, assisted by the Board, in sticking to a demanding timeline across many work streams.

We have provided regular market updates, including the Appointment of Chief Operating Officer (3 June 2016), Agreement of Commercial Terms with Funding Syndicate for Project Finance (8 August 2016) and Appointment of Preferred Mining Contractor and Project Funding Update (4 October 2016). We will shortly be releasing our results for the September 2016 quarter.

To better accommodate the timing and consideration of contract negotiations and tendering processes we have had to be more flexible with scheduled board meetings. The meeting originally planned for 25 August 2016, was postponed to 22 September 2016, and finally held in Johannesburg on 5 and 6 October 2016.

Boikarabelo Project Update

The extensive review of mine design, mining options, construction, and contracting options during this year has enabled the company to significantly reduce the capital requirement for mine development and avoid substantial development and operating risks in the future. The benefits of this new strategic approach to project development will be reflected in the terms of the contracts and agreements currently in negotiation. Highlights of the progress made since June include:

- Appointment commencing 1 July 2016 of a very experienced mining executive as Chief Operating Officer of Ledjadjja Coal, Zirk van der Bank;
- Negotiation of detailed terms sheet for the construction of the coal handling and preparation plant by Sedgman Limited (Sedgman) and a number of leading Australian mining services SMEs, and expected to be finalised by 31 October 2016;
- Concurrently, we are negotiating both an operating and maintenance agreement and an ancillary works program contract with Sedgman, again with a view to finalising both by 31 October 2016;
- Selection of our preferred mining contractor, Stefanutti Stocks Mining Services, a highly regarded South African contracting firm, and a detailed term sheet currently under negotiation with a view to executing a formal contract by 30 November 2016;

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- In principle agreement with Transnet Freight Rail on a commercial rail logistics agreement for transport of export coal to Richards Bay Coal Terminal. Final negotiations are currently under way with a view to execution of formal contract documents by 30 November 2016;
- We are also working with TFR for export capacity at Richard's Bay Coal Terminal (RBCT) for the export of our export coal production. A RBCT solution will result in a considerable saving compared with the original Port of Durban proposal;
- At the mine the operations team is engaged on ensuring that the site is ready to receive the EPC contractors immediately following financial close of our project funding;
- Additional drilling programme aimed at confirming coal processing design data, verifying geotechnical assumptions and updating the geological modelling was completed; a new geological and coal quality model has been built; and
- Extensive reviews have led to optimisation of capital estimates and extensive risk mitigation.

Project Funding

In parallel, we have been engaging with potential financiers to secure the best funding package for the required finance. At this stage, a funding syndicate including but not limited to RMB, PIC, IDC and Noble is our preferred source of funds – and all efforts are currently directed at achieving the required internal credit committee approvals by mid-December 2016. In parallel discussions continue with Export Finance and Insurance Corporation (EFIC) for it to conduct due diligence and join the syndicate and we are attending to the satisfaction of the Conditions Precedent to financial close.

This represents a slight slippage in our earlier preferred timeline, but if achieved, should enable us to reach financial close no later than March 2017. This translates into “First Coal” by Q1 2019

Coal Price Movement

The slight delay in financial close of the project funding has improved confidence amongst the funding syndicate as the seaborne thermal coal market has shifted significantly upward in the past three months. Sales are now being reported at a price of \$75/tonne, which is more than 40% above the long-term price assumed for our financial modelling. However, we remain cautiously optimistic only, as increases of that size over such a short timeframe may be more evidence of volatility than an emerging trend. It is our opinion that the upward trend will continue and Q1 2019 should therefore deliver higher coal prices than we have used in our modelling.

Independent Power Producer (IPP)

On 10 October 2016 the South African Energy Minister made a long-awaited announcement of the successful bids for the first round of coal-fired IPPs. The Minister also indicated that the Integrated Energy Plan and Integrated Resource Plan were to be considered by Cabinet in the course of the next week and shortly thereafter would be released for public comment. At this stage, it is not clear when invitations for the second round of coal-fired IPPs will be issued. It could be imminent or as late as the first quarter of 2018. We remain in a good position to make a decision to participate in that second round, and will keep you informed.

Website

A new website has been prepared and is now live. Shareholders may access the website on www.resgen.com.au

Other

The next scheduled board meeting is to be held on 22 November 2016, immediately prior to our Annual General Meeting on 23 November 2016. I intend to provide you with a further report at that time.

I look forward to meeting many of you in person at the AGM.

Yours sincerely

Denis Gately

Chairman

For and on behalf of the Board

About Resgen:

Resource Generation Limited (Resgen) is an emerging ASX and JSE-listed energy company, currently developing the Boikarabelo Coal Mine in South Africa's Waterberg region. The Waterberg accounts for around 40% of the country's currently known coal resources. The operating subsidiary, Ledjadja Coal, is currently updating the previously reported Probable Coal Reserves as a result of preparing a new mine plan and execution strategy as part of the Project funding. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal is a Black Economic Empowerment subsidiary (BEE) 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.

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