5 December 2019

ASX Announcement

Execution of binding agreements for the funding of the construction of the Boikarabelo Coal Mine

Resource Generation Limited (ASX:RES/JSE:RSG)(**Company or ResGen**) announced on 3 December 2019 that, along with its subsidiary, Ledjadja Coal Pty Ltd (**Ledjadja Coal**), it had entered into two non-binding term sheets, being the equity and debt term sheets (**Term Sheets**) with a group of three potential funders (**Lending Syndicate**) for the funding of the Boikarabelo Coal Project (**Project**). The Company also advised that work on drafting definitive legal and binding documentation based on the Term Sheets was well progressed.

The Company is now pleased to announce that the principal binding agreements for the funding of the construction of the Project by the Lending Syndicate (**Project Funding Agreements**) have been executed. The key terms of the Project Funding Agreements essentially mirror the terms set out in the Term Sheets summarised in the Company's announcement of 3 December 2019, including with respect to having the provision of funding being conditional on satisfaction or waiver of a number of conditions precedent as described in that announcement. For ease of reference the material terms and conditions detailed in the 3 December 2019 announcement along with additional detail on the binding legal arrangements are set out in Appendix 1.

The Company's Interim Managing Director and Interim CEO, Leapeetswe "Papi" Molotsane, commented *'The transition of the non-binding term sheets into legal agreements is a most important milestone. Subject only to satisfactory completion of the conditions precedent, funding for the construction of the remainder of the mine is now assured. The agreements are the product of a lot of hardwork and we are grateful for the drive and commitment of the Lending Syndicate and the professional advisors on both sides of the transaction in converting the agreed indicative funding terms into full form binding agreements'.*

Mr Molotsane added 'Stakeholders can rest assured that we have been working on the conditions precedent in parallel with the legal agreements and substantial progress has already been made. We are now focused on completing these tasks as quickly as is possible'

Next steps

The Company has determined that several aspects of the arrangements contemplated by the Project Funding Agreements will require Shareholder approval (and preparation of an Independent Expert's Report for provision to Shareholders) and the Company's present intention is therefore to schedule an extraordinary general meeting (**EGM**) during the first quarter of calendar year 2020 to provide Shareholders with the opportunity to consider and, if thought appropriate, approve the arrangements with the Lending Syndicate.

An independent expert has been engaged by the Company and the Company has been advised that the expert will be working to have a report finalised by mid-January 2020. The Company intends to provide a further update to Shareholders regarding progress in this regard and the scheduling of the EGM by the end of January 2020.

The Company's current target for satisfactorily completing all tasks associated with the conditions precedent under the Project Funding Agreements and reaching the point where the funding arrangements become effective and the Company is able to issue a 'Notice to Proceed' to the EPC contractor remains the end of March 2020 as announced on 3 December 2019. In the meantime, the Company will continue to work on the satisfaction, deferral or waiver of all conditions precedent under the Project Funding Agreements.

Further information

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

On behalf of the Board

Lulamile Xate

Chairman

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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 Coal Resources and Reserves for the Boikarabelo Coal Mine, held through the operating subsidiary Ledjadja Coal, were recently updated 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 these Reported Coal Resources and Coal Reserves).*

Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum. Ledjadja Coal, a subsidiary of ResGen, is a Black Economic Empowerment company (BEE) operating under South Africa's Broad-based Black Economic Empowerment Act, Section 9(5): Codes of Good Practice

Based on the information currently available to it, ResGen is aware that that PIC, Noble Group and Altius Investment Holdings each have substantial shareholdings in ResGen.

Forward looking statements

This announcement 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 announcement 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. 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).

APPENDIX 1

Material Terms and Conditions of the Project Funding Agreements

1. Overview

The Project Funding Agreements comprise a total borrowing of ZAR 4.2 billion (approx. A$ 417.9 million applying an ZAR:AUD exchange rate of 10.05:1) which excludes the additional debt facility that is being arranged for ramp-up working capital of ZAR 550 million* (approx. A$ 54.7 million applying an ZAR:AUD exchange rate of 10.05:1) and the additional debt facility that is being arranged for construction of 44km's of rail infrastructure to link the Project to the Transnet main line of ZAR 750 million (approx. A$ 74.6 million applying an ZAR:AUD exchange rate of 10.05:1).

* - previously estimated as being ZAR 500 million

Members of the Lending Syndicate:

- Government Employees Pension Fund and the Unemployment Insurance Fund, (both managed by the Public Investment Corporation SOC Limited (**PIC**));
- Industrial Development Corporation of South Africa Limited (**IDC**); and
- Noble Resources International Pte Ltd (**Noble**).

The Project Funding Agreements contemplate that Ledjadja Coal will be the borrower in respect of any funds advanced by the Lending Syndicate with the Company, Ledjadja Coal and a number of the Company's other subsidiaries providing security for these advances.

The funding package contemplated by the Project Funding Agreements has a debt component and an equity component, with each of these components being the subject of a number of underlying agreements.

2. Debt Component

The debt facilities comprise of a Senior Facility and three Mezzanine Facility Agreements (**Debt Facilities**) along with a Common Terms Agreement, a comprehensive security package and certain other security agreements covering release, counter indemnity and sub-ordination.

The Senior Debt Facility, subject to satisfaction or waiver of all conditions precedent, will be for an aggregate amount of approximately ZAR 2.34 billion, with that amount made up of the following senior loans from the members of the Lending Syndicate:

- Noble: ZAR 850 million;
- PIC: ZAR 950 million; and
- IDC: ZAR 540 million.

The Senior Debt Facility will be a secured debt, rank pari passu between the parties, rank above the Mezzanine Debt Facilities for the purposes of repayment and is to be drawn down on a *pro rata* basis after all Shareholder Loans and Mezzanine Debt has been fully drawn.

The Mezzanine Debt Facilities, subject to satisfaction or waiver of all conditions precedent, will be for an aggregate amount of approximately ZAR 1.63 billion, with that amount to be made up of the following loans from the members of the Lending Syndicate:

- Noble Mezzanine Loan: ZAR720 million;
- PIC Mezzanine Loan: ZAR550 million; and
- IDC Mezzanine Loan: ZAR360 million.

The Mezzanine Debt Facilities will all rank *pari passu* between the parties and will be subordinated to the Senior Debt Facility and the Ramp-up Working Capital Facility (once agreed and executed).

3. Equity Component

The Equity Component comprises a Equity Contribution Agreement along with amendments to Ledjajdja Coal's Shareholders' Agreement and Memorandum of Incorporation to reflect changes to the shareholding structure for the arrangements outlined below. An Equity Sub-ordinated Loan Agreement has also been executed.

Subject to satisfaction of all relevant conditions precedent, the PIC, IDC and Noble will acquire equity in Ledjadja Coal at a nominal value of ZAR 0.01 per share on the basis of committing to inject ***New Shareholder Loans*** specifically for purposes of funding the Project as follows:

- PIC Shareholder Loan: ZAR100 million;
- IDC Shareholder Loan: ZAR100 million; and
- Noble Shareholder: ZAR30 million.

It is proposed that each of the above New Shareholder Loans will:

- remain subordinated to all other financial indebtedness of Ledjadja Coal;
- be interest free and unsecured; and
- rank ahead of all current shareholder loans to Ledjadja Coal for the purposes of repayment.

If the arrangements contemplated by the Equity Contribution Agreement are completed, and there were no other changes to the current equity interests held in Ledjadja Coal, then it is anticipated that the shareholder equity interests in Ledjadja Coal would be as follows:

- ResGen Africa Holdings P/L: 51%
- Fairy Wing Trading P/L: 26%
- PIC: 10%

- IDC: 10%
- Noble: 3%

The Original Noble Loan advanced to Ledjadja Coal of approximately US$20 million in March 2014 under the Facility Agreement (at an interest rate of 10.75%) (**Facility Agreement**), excluding capitalised interest, will cease to accrue interest at financial close for Project funding and be converted from a term loan to a subordinated equity loan which will rank *pari-passu* with the New Shareholder Loans. Accumulated interest on the Original Noble Loan up to financial close of approximately US$17.5 million will be capitalised with this amount. The Share Pledge approved by Shareholders at the 2018 AGM as security for the Original Noble Loan will be released at financial close to allow for the grant of the security required to obtain the Debt Facilities.

All subsequent advances by Noble under the deeds of variation to the Facility Agreement totalling up to US26.9m, along with accrued interest totalling approximately US$5.7 million, will be repaid under the first drawdown under the completed Project Funding Agreements.

4. Summary of the material terms of the Project Funding Agreements

Other material terms included in the Project Funding Agreements include:

- The Senior Debt Facility will have a tenor of 7 years and the Mezzanine Debt Facility will have a tenor of 12 years (with a sunset date for drawdown of 31 March 2023 unless agreed otherwise);
- Interest based on the Johannesburg Interbank Average Rate (3M JIBAR) plus a Senior Debt risk margin of 600 basis points during Project construction and 500 basis points thereafter and a Mezzanine Debt risk margin of 1200 basis points during Project construction and 900 basis points thereafter;
- Commercially comparable origination and cancellation fees;
- Cashflow waterfall governing use of funds generated from operations;
- Requirement to agree a Hedging Programme with the proposed Lending Syndicate covering exchange rate, commodity and interest rate risk with Noble having the first right of refusal to manage subject to competitive market rates;
- Quarterly compliance reporting with standard financing covenants including free cashflow, interest cover and equity to total assets;
- Security to be granted by the Company and a number of its subsidiaries in support of the Debt Facilities, to include (among other things) cession of claims against third parties and cession and pledge of shares and shareholder loans held by the Company in and to Ledjadja Coal and its other subsidiaries;
- Ledjadja Coal will also provide security over certain of its assets, material contracts and property relating to the Project;
- Principal amounts advanced under the Debt Facilities must be repaid pursuant to a ‘cash sweep mechnism’ to be established once operations commence and the

Senior Debt Facility is subject to quarterly amortisation (with interest capitalised until Project Completion and payable quarterly thereafter);

- Cancellation fee to be applied if the proposed Debt Facilities are cancelled after the Company secures Shareholder approval;
- The PIC and IDC to have board appointment rights for Ledjadja Coal in accordance with an amended Ledjadja Coal's Shareholder Agreement however the appointment rights remain proportional to the shareholdings in Ledjajda i.e. ResGen will retain control;
- Noble to retain its right to nominate a board appointment at the Resgen level and have approval rights in respect of a board appointment at the Ledjadja Coal level as contemplated by the current Facility Agreement, which will be extinguished at financial close; and
- Participation of the PIC and IDC in the domestic coal offtake rights, with a fee to be payable to the parties if this participation is not utilised.

5. Material Conditions Precedent

A number of conditions require satisfaction, deferral or may be waived by the Lenders, subject to their respective credit committee approval processes before the transaction completes and becomes effective (**Financial Close**). These conditions include those customary for Lender's to request to manage risk exposures in transactions of this nature including:

- All material Project documents having been entered into and becoming unconditional;
- Shareholder approval for the arrangements set out in the Project Funding Agreements;
- Conclusion of a back to back domestic coal supply agreement between Noble and a third party to the satisfaction of the other Lenders;
- Conclusion of an unconditional fully funded Project Rail Link funding agreement and related infrastructure agreements related to the Project Rail Link with all suspensive conditions thereto fulfilled or waived by the Lending Syndicate;
- Conclusion of a Ramp-up Working Capital Facility; and
- Lender acceptance of an Independent Technical Advisor's reports relating to the technical aspects of the Project.