

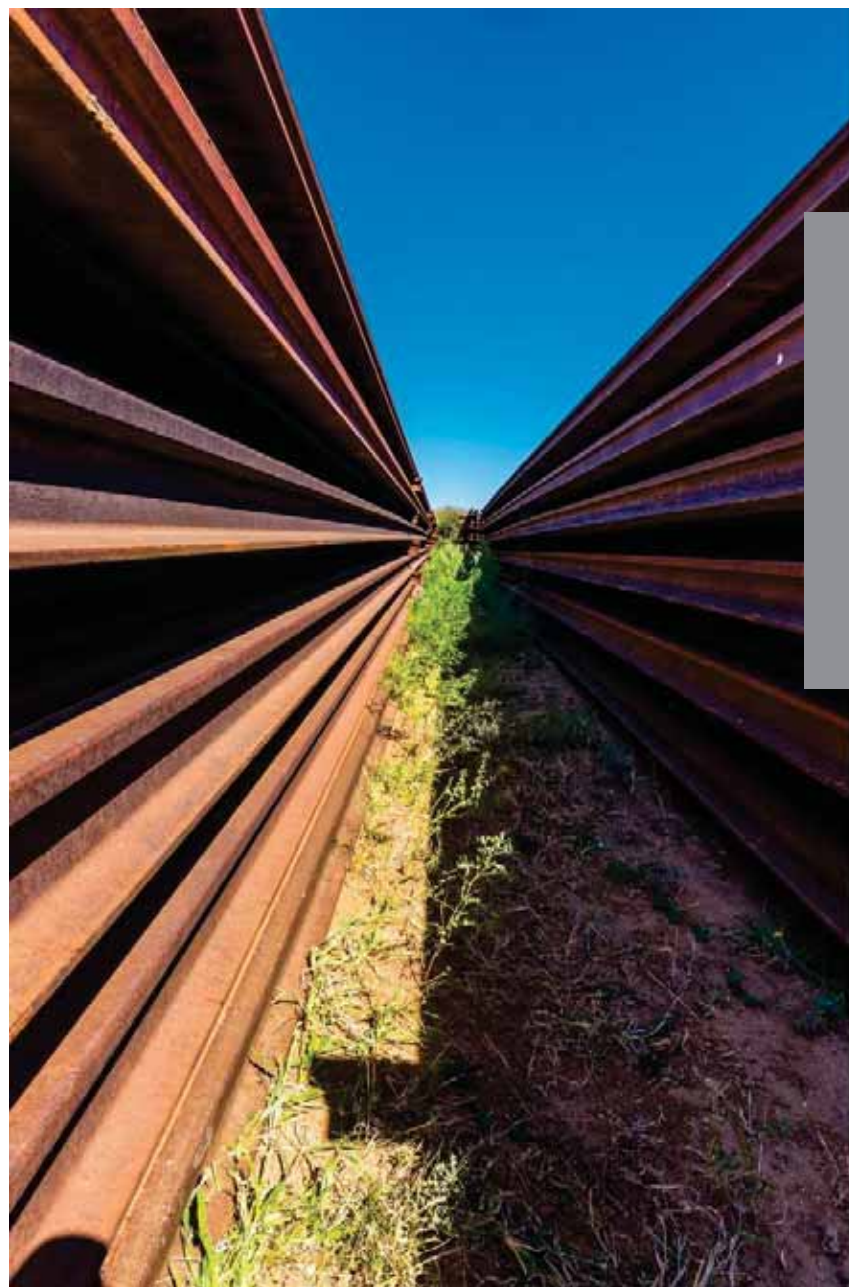


# 2016 REVIEW

23 NOVEMBER 2016

ASX: RES JSE: RSG

# CEO REVIEW



“Our primary objectives were to review of the merits of the project, reduce its capital cost, align the project with its debt capacity, reduce risk and secure funding to complete construction as soon as possible.”

Construction contract  
saving of  
**US\$200 million**

Adoption of  
**LOW RISK**  
Execution Strategy

Financial close targeted for  
**March  
2017**



# HIGHLIGHTS OF 2016



**Commercial terms for debt funding agreed** – R5.52 billion (A\$520 million) commitment, subject to credit approval, secured to complete construction of Boikarabelo Coal Mine.



**Heads of agreement concluded** for design, procurement, construction and operation of the coal handling and preparation plant.



**Heads of Agreement concluded** for the appointment of the preferred mining contractor.



**New execution strategy and mining plan** – reports by independent technical experts confirm favourable outcomes.



**Low-risk execution strategy in place** – limited number of EPC contractors with good track records and strong balance sheets appointed.



Base case financial model completed – **project deemed fundable without further equity** from shareholders.



**All assumptions** in the base case financial model now verified with the appointment of the EPC contractors and TCA agreement with TFR.



**Concept feasibility study for a 300 MW coal-fired power station** received.

## **Negotiations with Transnet Freight Rail**

concerning the tariff and access to coal terminals at Richards Bay concluded.



## **Partnership with the Road Agency in Limpopo**

to upgrade the road from the Lephalale commercial sector to Steenbokpan and all connector roads to the Boikarabelo mine.



**Review of key policies and procedures** completed.



## **Ancillary works programme**

scoped, budgeted and under negotiation with preferred EPC.

# ROAD MAP TO FINANCIAL CLOSE



## **2016 JANUARY**

- Funding options evaluated
- Debt Club re-formed to comprise RMB, EFIC, PIC, IDC and Noble

## **2016 FEBRUARY**

RMB appointed lead arranger and adviser

## **2016 MAY**

- BCFM finalised
- RMB advises that project fundable without recourse to further equity

## **2016 JULY**

Commercial terms for debt funding agreed

## **2016 SEPTEMBER**

- Lenders due diligence week completed satisfactorily
- Lenders site visit increases lenders positive sentiment
- ITE reports finalised with no material flaws

## **2016 OCTOBER/NOVEMBER**

Negotiation and finalisation of material contracts far advanced including CHPP EPC, CHPP O&M and TCA

## **2017 JANUARY/FEBRUARY**

- Credit committee/board approvals
- Eskom CSA
- Mining Contract

## **2017 MARCH**

Execute all material contracts and financial close

## **2017 MARCH**

Mobilise EPC contractors



**DEBT FACILITY**

**R5.52**

**BILLION**



# ROAD MAP TO PRODUCTION



## **Pre 2015**

Purchase 9 farms and build infrastructure including roads, water, electricity, NSF, accommodation and rail earth works completed

## **2016 JANUARY**

Technical Committee review project to reduce cost and risk

## **2016 MARCH**

CHPP alternate proposal submitted

## **2016 MAY**

Low-risk execution strategy and new mining plan adopted

## **2016 JUNE**

Sedgman Limited appointed for design and construction of coal handling and preparation plant

## **2016 JULY**

Commercial terms for debt funding agreed

COO appointed

## **2016 AUGUST**

Mining contract RFP released

## **2016 OCTOBER**

Stefanutti Stocks appointed preferred mining contractor

## **2016 OCTOBER/DECEMBER**

Finalise material contracts including CHPP EPC, CHPP O&M, Mining Contract, Transportation of Coal and RBCT

## **2017 JANUARY/FEBRUARY MARCH**

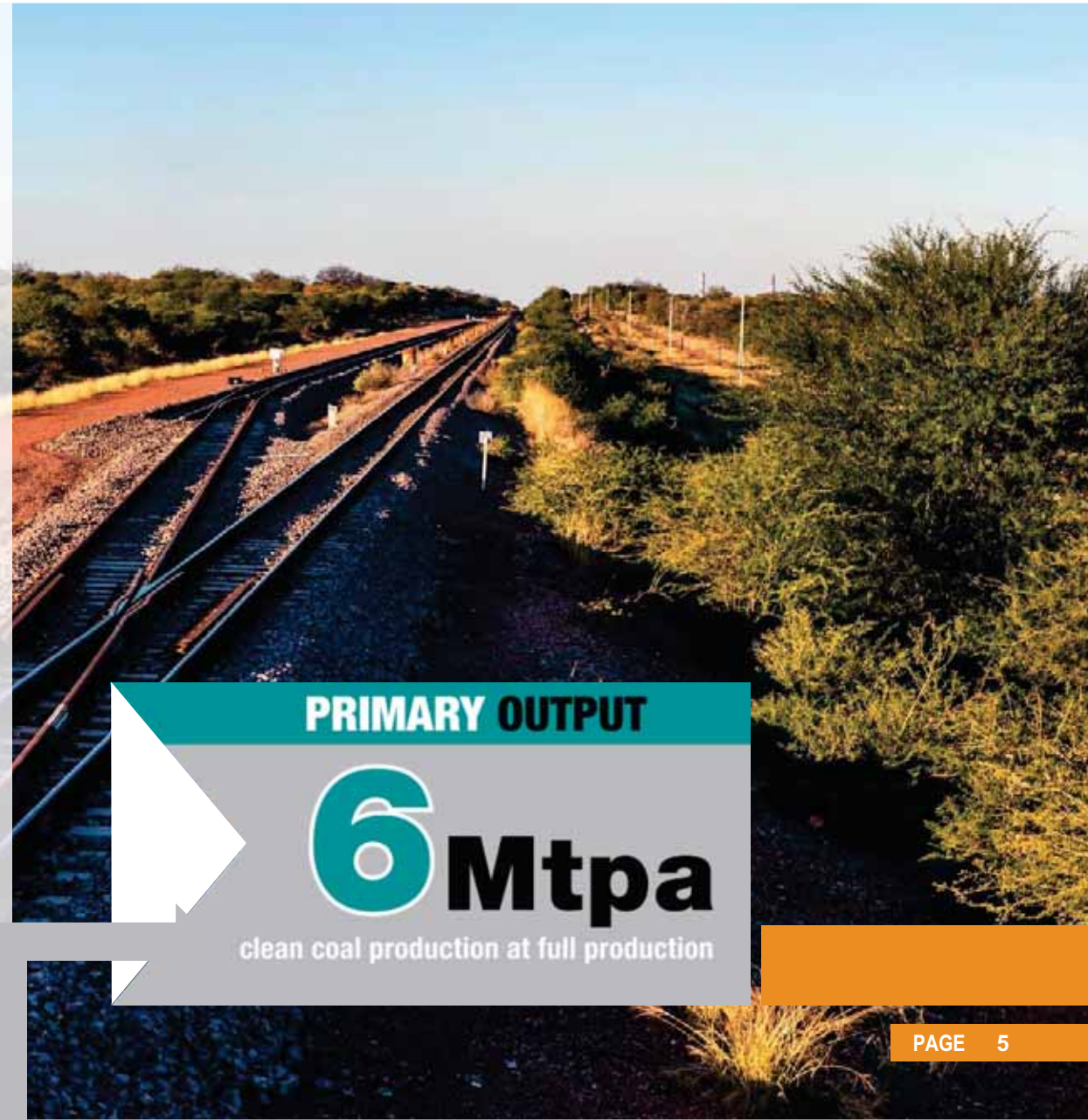
Execute material contracts, credit approvals and financial close

## **2017 MARCH**

Mobilise EPC contractors

## **2019 Q1**

First coal



**PRIMARY OUTPUT**

**6 Mtpa**

clean coal production at full production

# MATERIAL CONTRACTS

FOR FINANCIAL CLOSE



- CHPP EPC
  - Status: Final draft under consideration
- CHPP Operations & Maintenance
  - Status: Terms agreed and under drafting
- Transportation of Coal Agreement
  - Status: Final draft under consideration
- Port Service Level Agreement
- Mining Contract
  - Status: HOA signed and commercial terms under negotiation
- Ancillary Works Contract
  - Status: Terms agreed and under drafting
- Shareholders Agreement
  - Completed
- Finance Agreements



# KEY OUTCOMES

## NATURAL CAPITAL



- 6 Mtpa thermal coal from Q1 2019
- Mining plan will maximise yield and maximise recovery of the deposit by mining all seams
- In-pit waste dumping to reduce impact on the environment
- Mining Plan and Environmental Plan will minimise environmental footprint



## NATURAL CAPITAL

# KEY OUTCOMES

## MANUFACTURED CAPITAL



- All permits and approvals secured
- Site construction partially complete including:
  - camp and services for 400 employees in place with capacity to increase to 1,320
  - office accommodation built
  - water & sewerage infrastructure installed
  - electricity sub-station and lines installed
  - roads and earthworks completed
- Power supply secured
- Logistics solution to Richards Bay agreed with TFR



## MANUFACTURED CAPITAL



# KEY OUTCOMES

## FINANCIAL CAPITAL



### At full production Boikarabelo mine will generate:

- R462 million income tax to be paid per annum
- R165 million in royalties to be paid per annum
- R250 million estimated flow into local economy per annum

[based on BCFM]



## FINANCIAL CAPITAL

# KEY OUTCOMES

## SOCIAL AND RELATIONSHIP CAPITAL



- Diverse workforce
- Good relationships with employees
- Early and continuous engagement with local communities
- Progressive Social and Labour Plan (SLP) in place
- Strong support from government departments and state-owned enterprises
- Equity investment from PIC



## SOCIAL AND RELATIONSHIP CAPITAL

**250  
SMMEs**

are registered on  
**Boikarabelo's**  
supplier database



# KEY OUTCOMES

HUMAN CAPITAL



## Achievements during 2016:

- 68 students enrolled on the AET programme
- 14 learners are enrolled in learnership programmes
- Six students studying with the help of bursary support
- The project will create 3 000 jobs during construction and approximately 700 permanent jobs (50% women)
- A safe workplace that promotes employee health and wellbeing



HUMAN CAPITAL

# RISK MANAGEMENT

## 8 KEY STRATEGIC RISKS



<b>1</b>  Timely completion of credit approved project finance on commercial terms	<b>2</b>  Effective project execution with an experienced team so that the mine is developed within scope, schedule and budget	<b>3</b>  Effective management of our 'right to mine' through compliance, adherence to sound environmental management, engagement with employees, the communities and other stakeholders
<b>4</b>  Compliance with mining right requirements and regulations (including social and employment programmes) in order to retain the rights of tenure in good standing	<b>5</b>  Embedding an effective health and safety culture and management systems for both employees and contractors	<b>6</b>  Securing timely and economically sustainable access to coal supply chain infrastructure
<b>7</b>  Engage with Government to manage and mitigate detrimental changes to legislation and regulation of the mining industry	<b>8</b>  Effective procurement and contractor management processes in order to minimise the risk of bribery and corruption and ensure aligned contractual performance	



# CONCLUSION



Project is on the cusp of full construction commencing 2017 and full production of coal in 2019

Wonderful example of private & public sector co-operation

Delivery of the National Development Plan