



ASX: RES

26 November 2009

ASX Release

Significant potential of Waterberg coal project confirmed by pre-feasibility study

Resource Generation Limited announced today that its pre-feasibility study has confirmed the significant potential of the company's planned Waterberg coal mining operation in South Africa.

Following completion of the study, Resource Generation plans to lodge a mining rights application, together with social and labour plans, with the Department of Mines and Energy early in 2010. The company also intends to proceed with a detailed feasibility study in conjunction with one or more banks early in 2010. The timing for the grant of a mining right is targeted for early 2011, with the aim of starting production in January 2013.

The pre-feasibility study assumes mine development in two stages. The first stage, for five years from January 2013, is expected to yield 3 million tonnes of saleable export coal and at least 3 million tonnes of saleable domestic coal per annum. The second stage would increase production to 40 million tonnes of run-of-mine coal per annum; while currently scheduled to begin in January 2018, its timing would depend on securing a substantial contract with Eskom, South Africa's electricity generator. Both stages are dependent on the company receiving mining rights.

The study is based on coal reserve and resource estimates released by Resource Generation earlier in 2009. The coal seam is approximately 120 metres thick and is at a shallow depth between 20 and 30 metres below the surface providing potential for low cost open cut mining. Resource Generation's tenement areas include an initial resource of 1.0 billion tonnes across 1,365 hectares (excluding shale content) which continues into the company's adjoining two and a half tenements (approximately 3,400 hectares). Probable coal reserves are 302 million tonnes of saleable coal in 43% of the tenement area containing the 1 billion tonne resource.

The pre-feasibility study assumes current coal prices and exchange rates and estimates capital expenditure of A\$700 million to develop the mine's two stages, including A\$240 million to construct coal handling and preparation facilities. Open cut mining is planned by conventional truck and shovel operations, with bulldozers and excavators to mine coal seam benches selectively, and a two-stage coal preparation plant with two 1,100 tph modules incorporating cyclones.



‘Completion of the pre-feasibility study is a significant step towards realising the potential of our Waterberg coal tenements,’ said Mr Paul Jury, managing director of Resource Generation. ‘We have a large coal deposit that will be relatively cheap to mine and we have plans to access adequate water supplies, transport facilities and achieve domestic offtake. There is growing demand from both Eskom and overseas markets, and current estimates indicate that the mine has the potential to be very profitable.’

The Waterberg coal project has been renamed “Ikarabela”, which means “be responsible” in the local Sesotho dialect. Resource Generation intends to conduct its operations at Ikarabela in a manner which befits the meaning of the name.

Information in this release that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie Van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr Van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Van Wyk has given and has not withdrawn his consent to the inclusion in the release of the matters based on his information in the form and context in which it appears.

Contacts

Paul Jury, Managing Director on (02) 9376 9000 or
Steve Matthews, Company Secretary on (02) 9376 9000

Resource Generation is an energy resource company, primarily with coal interests in South Africa and Tasmania. Its current priority is to develop its resources in the Waterberg region of South Africa.