

25 October 2010

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Activities Report for the quarter ending 30 September 2010

The Directors of Regal Resources Limited (Regal or the Company) present their quarterly report for the period ended 30 September 2010.

Underground Coal to Liquids (“UCTL”)

Regal progressed its initial stage of testing of the UCTL™ process at its Oak Park Pilot Plant. As previously advised, testing was put on hold at the Oak Park pilot facility to allow design of the surface reaction vessel (SRV) modifications to be conducted. The design is progressing well in parallel with further research on the behaviour and reactive properties of supercritical water spray, and the effects of chemical and catalyst. This further research will be conducted in the last quarter of this year.

Update on W10

W10 is a mix of reagents that have the potential to upgrade a range of carbonaceous materials, including coal, oil sands and oil shale. Following on from some earlier testing in Australian laboratories on oil sands, in May 2010 Regal commissioned testing on its W10 technology at an independent Canadian laboratory.

The purpose of the Canadian laboratory's tests was to ascertain whether W10 may have a role in the separation and / or upgrading of bitumen derived from Canadian oil sands. The laboratory phase of the Canadian laboratory's initial testing of W10 for both separation and upgrading was completed towards the end of the last quarter with the Canadian laboratory then involved in analysis and report writing.

As previously advised, Regal has received a report from the Canadian laboratory on separation. Regal has also received feedback on a second report focusing on the potential upgrading application for W10. Although W10 shows potential, the estimated input costs of the W10 constituents are a significant challenge for developing a viable product in the current market. Upon review and internal analysis, Regal has decided to put further W10 testing on hold.

Enhanced Biogenic Methane Ltd

Regal entered into an agreement to purchase 100% of the issued capital of Enhanced Biogenic Methane Ltd (EBM) via the issue of 40 million ordinary shares and subject to shareholder approval.

EBM has secured an exclusive Australian and Northern Ireland licence to biogenic methane enhancement (BME) technology, which has been granted from the Western Research Institute of Wyoming, who are at the forefront of this technology globally.

This transaction enables Regal to focus on applying the EBM technology at its Oak Park Pilot Site, located within EL 4507 to the west of Melbourne where there is evidence of substantial quantities of brown coal to which the EBM technology may have a commercial application. Regal holds 1407km² of tenements in Victoria (EL4507 and EL4510) containing approximately 10 billion tonnes of non-JORC brown coal.

It is proposed that a trial of the EBM technology will commence in the near term upon regulatory approvals being granted. Over the last six months substantial work has been undertaken on the approval process, and it is anticipated the trial will commence during the last quarter of this year. The trial, initially focused on an existing well at Oak Park, will involve the stimulation of microbes within the 20 metre thick coal seam to produce methane gas. The trial will cover three phases to examine specific aspects of the technology, with each phase planned to run for a minimum of 45 days.

The Transaction

Regal has agreed to purchase 100% of its joint venture partner EBM from the three existing vendors being Transol Corporation Limited (Transol) (ASX:TNC), Energy Infrastructure and Resources (EIR) and Mare E Monte Pty Ltd.

Consideration for the purchase from Transol (a company of which Mr Edgar is a director and indirect shareholder) is via the issue of 20 million shares in the issued capital of Regal for 50% of EBM. Shareholder approval to issue the shares will be sought at the 2010 Annual General Meeting. Regal will also assume the commitment to advance up to \$500,000 to fund EBM, of which \$200,000 has been loaned by Transol to date. Regal will pay Transol \$200,000 and receive an assignment of the existing \$200,000 loan. In accordance with a pre-existing agreement, Transol will retain a 2.5% royalty on well head production from commercial quantities of methane produced from the use of extraction techniques related to BME technology under the terms of the licence.

In addition, Regal has also agreed to purchase from EIR (a company associated with two directors of Regal, Mr Gillespie and Mr Cooper) and Mare E Monte Pty Ltd, the remaining 50% of EBM. Subject to obtaining shareholder approval and confirmation of the sellers having obtained all consents required for the sale of the EBM shares, Regal will issue 20 million shares to EIR (14 million) and Mare E Monte Pty Ltd (6 million) as full consideration for the purchase. In accordance with a pre-existing agreement, an entity associated with EIR and Mare E Monte Pty Ltd will jointly retain a 2.5% royalty on well head production from commercial quantities of methane produced from the use of extraction techniques related to BME technology under the terms of the licence.

Corporate

Regal terminated the Service Contract Agreement between Energy Infrastructure and Resources Limited and Regal's 100% owned subsidiary Magma Oil Pty Ltd.

Mr Rohan Gillespie and Mr Bretton Cooper continue to provide technical overlay to the UCTL / W10 technology under their capacity as Directors of the Company.

For further queries, please contact the Company Secretary, Mr Adrien Wing, on +61 3 8610 8633.



**ANGUS EDGAR
DIRECTOR**

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

REGAL RESOURCES LIMITED

ABN

23 106 294 106

Quarter ended (öcurrent quarterö)

30 SEPTEMBER 2010

Consolidated statement of cash flows

	Current quarter \$Aö000	Year to date (3 months) \$Aö000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(5)	(5)
(b) development	-	-
(c) production	-	-
(d) administration	(182)	(182)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(174)	(174)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(105)	(105)
(c)other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	50	50
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	(200)	(200)
1.11 Loans repaid by other entities	-	-
1.12 Other ö Development of UTCL and W10	(373)	(373)
Net investing cash flows	(628)	(628)
1.13 Total operating and investing cash flows (carried forward)	(802)	(802)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(802)	(802)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (R&D Concession)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(802)	(802)
1.20	Cash at beginning of quarter/year to date	2,491	2,491
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,689	1,689

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	53
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Wages and Consultancy fees paid to directors and director related entities during the September 2010 quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$Aø000	Amount used \$Aø000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$Aø000
4.1 Exploration and evaluation	120
4.2 Development	96
4.2 Production	-
4.2 Other (provide details)	143
Total	359

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$Aø000	Previous quarter \$Aø000
5.1 Cash on hand and at bank	1,689	2,491
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,689	2,491

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2	-	-	-	-
		Interests in mining tenements acquired or increased		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities				
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.5 +Convertible debt securities <i>(description)</i>	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options <i>(description and conversion factor)</i>	318,006,346 183,330,000	- -	<i>Exercise price</i> \$0.06 \$0.06	<i>Expiry date</i> 06/11/2011 17/03/2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
7.11 Debentures <i>(totals only)</i>	Nil	Nil		
7.12 Unsecured notes <i>(totals only)</i>	Nil	Nil		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 25 October 2010

Print name: ADRIEN WING

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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