REGAL RESOURCES LIMITED

ACN 106 294 106

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

Directors
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Angus Edgar – Managing Director
Bretton Cooper – Non-Executive Director

Company Secretary
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ASX Code:
Ordinary shares - RER
Listed options - REROB

Annual report
for the financial year ended 30 June 2011

REVIEW OF ACTIVITIES

Mineral Projects – Democratic Republic of Congo

During the year, the Company diversified its portfolio and successfully negotiated two transactions for gold exploration projects in the Democratic Republic of Congo. To date, the Company's landholding in eastern Democratic Republic of Congo is 4,136km^2 across 17 licence areas.

The Democratic Republic of Congo has an expanding gold mining industry, with numerous majors such as Randgold, Anglogold Ashanti, Banro Corporation and Erongo Energy exploring this newly recognized world class region. A number of these companies have already experienced a high level of exploration success with the discovery and development of several multi-million ounce gold deposits. With a stable, pro-mining Government, and a high chance of exploration success, Regal is excited about its opportunity to explore this highly prospective region.

During the year the Company secured the employment of Mr Michael Jackson as its Exploration Manager. Mr Jackson has 15 years experience in the exploration and mining industry, and most importantly, has a wealth of knowledge and in-country experience having set up an exploration office for Tiger Resources Ltd in the Democratic Republic of Congo and recruited and managed a local exploration team that developed the Kipoi Project to pre-feasibility and led the discovery of the Pumpi and Sase copper-cobalt deposits.

Mr Jackson relocated to the Democratic Republic of Congo and has assembled an in country team of 12 Congolese geologists, most of which have a high level of gold exploration experience relative to the terrain the Company is exploring. In addition, Regal has established regional geology and administrative offices in the provincial capital of Bukavu where logistical support is readily obtained from Eastern and Southern Africa.

South Kivu Project

During the year, the Company entered into a Joint Venture Agreement with Afrimines Resources SPRL (Afrimines) to acquire a 70% interest in a group of 13 contiguous exploration permits in the South Kivu Province, east central Democratic Republic of Congo (South Kivu Project).

The Company sought and received shareholder approval for the acquisition, and pursuant to its Acquisition Agreement with Afrimines, the Company finalised its First Tranche payment US$600,000 and issued 75 million shares to Afrimines. Tranche Two will involve Regal making a further cash payment of US$400,000 and shares in Regal on a VWAP calculation equivalent to 75,000,000 shares at USD 1 cent (USD $750,000), subject to shareholder approval. Regal has the option to acquire a further 20% interest in the tenements at completion of a bankable feasibility study by making payment of an amount determined by independent valuation.

The South Kivu Project covers 3,650km^2 of highly prospective ground and is located in one of the world's principal Precambrian orogenic-metallogenic provinces within the "Twangiza-Namoya Belt" (11Moz Gold) and the world class gold deposits in the Kilo-Moto Belt (≈40M oz Gold).

The Project is underlain by highly prospective Ruzizan and Burundian Lithologies which have been intruded by granites and pegmatites of various ages. Most of the tin, tungsten and columbite-tantalite deposits of the region are related to these post-tectonic granitic batholiths and stocks, while the gold deposits occur in the synclinoria between the granites.

The prospectivity of the South Kivu Project is enhanced by the identification of alluvial workings and a major west-northwest trending regional structure within the tenements bordering Banro's Namoya deposit (1.38Moz Gold) to the north. In addition, it is highly likely that mineralised structures which control mineralisation at Banro's Lugushwa deposit (2.73Moz Gold) extend on to the South Kivu Project area in the north. The area to the southeast of Lugushwa has been a major focus of alluvial works potentially associated with an underlying northeast trending structure.

Exploration Results

During the year, the Company received 100% of the assay results from a regional stream, soil and rock chip sampling programme completed by Afrimines in 2010. In total, 6,626 samples were submitted to ALS Laboratories in Johannesburg for gold and multi-element assay analysis.

Eight targets were identified, including four high priority gold targets, and one tin target.

Gold Targets

Four high priority gold targets have been identified with gold in soil mineralisation >50ppb, and a maximum value of 1.29g/t Au from the Ngoi prospect. These include Kisiba, Ngoi, Munguma and Matala. Additional targets have been identified at Musongo, Kalonda and Lukumba in the central and southern half of the licence area. Multi-element data indicates the anomalies are real and in-situ with coincident gold (Au), arsenic (As), Mo (molybdenum), Bi (bismuth), V (vanadium) and Pb (lead).

The two priority prospect areas identified for near term exploration activities are Munguma and Matala.

Ngoi Prospect

The Ngoi Prospect comprises a 2.5km long, north-northeast trending zone of gold in soil mineralisation >250ppb. A recent field visit to the site identified artisanal gold workings over 2km where 4.84g/t Au was obtained from a small open pit. Mineralisation comprises quartz stockwork veining hosted in altered schists.

Matala Prospect

The Matala Prospect comprises a 3.6km zone with >60ppb Au in soil. A peak rock chip sample of 4.12g/t Au was collected from a 2m wide quartz vein hosted within an altered quartz-muscovite-pyrite schist.

Stream sediment sampling along strike and west-northwest of the Matala soil anomaly suggests the mineralised strike is at least 12.5km.

Munguma Prospect

The Munguma Prospect comprises a 1km long zone of >40ppb Au in soil mineralization with a peak value of 108ppb Au. Mineralisation occurs at two intersecting structures oriented northeast and northwest. The anomaly is open to the southeast.

Yaluwa Prospect - Tin

A high priority tin stream anomaly >0.5% Sn with a peak value >1% Sn has been located at the Yaluwa prospect area. The area contains a number of alluvial miners treating the river gravels.

Commencement of Exploration Activities

A 6,000 sample, second phase soil, rock chip and stream sediment sampling program has commenced and covers prospective targets Matala, Munguma, Ngoi and Yaluwa. To date 887 soil, 72 rock chip and 207 trench samples have been collected and sent to ALS Laboratories for assay analysis.

Trenching and geological mapping at Matala has exposed a 685m long, 15m wide zone of strongly silica-pyrite-sericite altered schist with mineralization open at either end. Scott Drilling International has been contracted for 3,000m of diamond core drilling and are expected to conduct the first phase of drilling in September 2011.

South African based NRG (New Resolution Geophysics) has been contracted to complete an airborne magnetic-radiometric survey of the entire licence area at 300m line spacing. The survey will enhance the current understanding of the regional structure and identify structural controls on gold mineralisation. The survey is also expected to identify additional regional targets to be followed up with additional geochem sampling. The works are expected to commence in Q4 2011.

Maniema Project

During the year, the Company entered into terms of agreement with Pangimines SPRL to acquire a 70% interest in four exploration licenses in the Maniema Province, Democratic Republic of Congo (Maniema Project).

The terms of acquiring the 70% interest in the Maniema Project are via:

- Issue of 20 million RER options exercisable at 3 cents each and expiring on 31 March 2014
- Issue of 20 million RER options exercisable at 6 cents each and expiring on 31 March 2016
- Payment of US$165,000 to fund the transfer of the tenements (PRs) into the joint venture company

Upon final transfer of the tenements a further payment of US$80,000 to the vendor, Pangimines SPRL, for a reimbursement of previous costs Regal can increase its equity to 90% via a US$1,500,000 payment upon completion of a bankable feasibility study.

The transaction is subject to the transfer by the Congolese Cadastre Minier (CAMI) confirming the completion of the transfers of the PRs to the newly incorporated joint venture company.

The Maniema Project covers 486km^2 and contains the same group of Rusizian rocks currently being explored by the Company at its South Kivu Project.

A reconnaissance visit to the main project area, Kingombe-Mbale (PR3280), was conducted in July 2011 as part of an initial assessment of the project, with 20 rock chip samples collected and submitted to ALS Chemex Johannesburg, for gold fire assay and ICP multi-element analysis. Assays are pending

Ten artisanal sites were inspected during the visit, and of these, six were found to include hard rock workings along localised quartz veins and shear zones. The best of these included Songwe, Tchamilungi and Kikozi.

Songwe Prospect

The Songwe Prospect comprises three parallel quartz veins across a 10m wide zone exposed in a 30m long open pit working in an extensive alluvial gold mining area. The host rock consists of metasediments with mineralised pelitic schists containing pyrite and arsenopyrite localised along intensely sheared sections of the main structure. Mineralisation is contained within stockwork to semi-massive, hematitic zones of quartz veins and extends into intensely sericite altered host metasediment. The mineralised structure is subvertical, has a north-east orientation and is open at either end.

The Songwe Prospect is a high priority target and has excellent potential to develop into a bulk tonnage gold resource.

Tchamilungi Prospect

The Tchamilungi Prospect comprises a strongly brecciated, ferruginous quartz vein exposed in shallow workings over a strike of approximately 40m. The host lithology comprises metasediments which are locally silicified and sericite altered either side of the quartz structure. Mineralisation is contained within a 1 to 2m wide hematitic quartz vein with locals reporting frequent visible gold.

The Tachamilungi Prospect is also a high priority target and has potential to develop into a low tonnage but high grade gold resource.

Kikozi Prospect

The Kikozi Prospect comprises a hematite altered, 2 to 3m wide quartz stockwork zone hosted within silicified metasediments and quartzites in an area of extensive alluvial gold mining. The main structure is exposed over a distance of 40m and comprises shallow artisanal workings 0.5 to 1m deep due to the high hardness of the host rock. The mineralised structure is subvertical, has an east-west orientation and is open to the east and west.

The Kikozi Prospect has potential to develop into a bulk-tonnage gold resource.

Work Program - Maniema Project

All of the hard rock mining areas inspected, particularly Songwe, Tchamilungi and Kikozi, have excellent exploration potential. Following the finalisation of the Joint Venture Agreement with Pangimines SPRL a regional soil sampling campaign across the mineralised area on PR3280 will commence with rock chip sampling and trenching at Songwe, Tchamilungi and Kikozi to define the true width of mineralisation and identify strike extensions to existing structures.

The Company intends to fly a geophysics survey over PR's 3279 and 3280 with NRG following the planned survey over Regal's South Kivu Project.

Underground Coal to Liquids

Underground Coal to Liquids (UCTL) is a novel patent pending technology which aims to convert low rank brown coal / lignite "in-situ" into liquid hydrocarbons (synthetic crude or "syncrude") that can be refined into marketable oil products using commercially proven refining processes. UCTL consists of a combination of innovative applications of existing technologies. The key conversion step is the technically proven hydrogenation of coal with super-critical water to produce liquid (oil and gas) hydrocarbons.

During the year, the Company restructured its pre-existing licence agreements and formed a special purpose company, UCTL Pty Ltd, to develop and commercialise the UCTL suite of technologies. UCTL Pty Ltd is an entity that is owned 50/50 between Regal and Forbes Oil and Gas Limited. UCTL Pty Ltd holds an exclusive license from Forbes to develop and commercialise the UCTL and W10 technologies and will pay a 2% royalty to each of Forbes and Regal. The previous license between Regal subsidiary Magma Oil Pty Ltd and Forbes has been terminated, with the commercialisation and royalty commitments superseded by the above new arrangements.

The Directors of UCTL Pty Ltd are Angus Edgar and Peter O'Dowd. Mr O'Dowd contributes to the commercial and technical management of UCTL Pty Ltd and is Managing Director.

The Oak Park Pilot Plant, commissioned in April 2010, was constructed to test the UCTL technology, however during initial testing it was identified that the Pilot Plant's design, configuration and efficiency could be improved.

The Company subsequently engaged a specialist US chemical engineering and technology consultants company, C & C Engineering, to carry out a detailed review of the UCTL technology.

C &C Engineering has significant experience with coal gasification and hydrocarbon process engineering. Their study included an extensive literature review of key facets of the UCTL technology and conducted computer modeling of mass and energy balances of the process. The review concluded there was significant merit in continuing to develop the technology. As a result of this review, C & C Engineering were commissioned to design and conduct laboratory-based proof-of-concept tests on specific aspects of the UCTL process, focusing on additional validation of the conversion of coal to liquid hydrocarbons via the use of supercritical water.

The Proof-of-Concept Test Program designed by C & C Engineering is a two part test program, with Phase One consisting of technical reporting, and Phase Two consisting of a six month regime of laboratory testing to investigate the reaction of coal with supercritical water to form liquid and gaseous fuels, at the anticipated UCTL temperatures and pressures.

Regal has a right to fund both phases to earn its 50% equity in UCTL Pty Ltd. If Regal notifies Forbes of its intention to withdraw from funding either phase, Forbes will have an option to purchase Regal's equity via paying two times expenditure and accrued interest within three months of being notified. Regal will retain its 2% royalty entitlement on any commercial quantities of hydrocarbons produced from the UCTL and W10 technologies, providing long term value if the technology is commercialised.

Receiving a positive Phase One Report from C&C Engineering, the Company was delighted to advise shareholders that it had retained Stanford University to conduct the Phase Two laboratory bench testing. Upon the successful completion of Phase Two laboratory testing, Regal has conditionally assigned one billion tonnes of coal into UCTL Pty Ltd for testing demonstration and development.

Stanford University was deemed most suitable to conduct the laboratory bench testing, with the most experienced personnel being led by Professor Reggie Mitchell, along with superior bench scale equipment.

Stanford University and Professor Mitchell have been testing supercritical liquefaction of coal for the past three years, and will utilize the same proven testing equipment for the Phase Two laboratory testing.

Samples of USA and Australian coals, including samples from Regal's Oak Park Test site, will be trialed during Phase Two.

The Company is committed to exploring the commercialization of the UCTL technology, and anticipates working with C&C Engineering and Stanford University will position it to manage significant value from its commitment to UCTL.

Biogenic Methane Enhancement Project

During the year, the Company purchased 100% of the issued capital of Enhanced Biogenic Methane Pty Ltd ("EBM") via the issue of 40 million ordinary shares and settlement of loans ($200,000). EBM holds an exclusive Australian and Northern Ireland licence to Biogenic Methane Enhancement (BME) technology.

The patent pending technology has been developed by the Western Research Institute of Wyoming ("WRI"), and Regal is the first company in the world to have been granted a licence to the technology process for application and testing outside of North America.

WRI is a multi-million dollar, not-for-profit research organisation renowned for work in advanced energy systems, environmental technologies and highway materials research, and the Company is fortunate to be partnering with a globally distinguished Institute who are at the forefront of this field. WRI has a highly experienced team who offer expertise from fields such as chemical, petroleum and environmental engineering, organic, physical, analytical and inorganic chemistry, geology, soil science, business administration and economics, and the Company intends to leverage off such expertise during its Pilot Project testing of the BME technology.

Bench test trials conducted by WRI have demonstrated that application of the BME technology on lignite and black coal produces methane in real time instead of millions of years of geological time.

BME technology involves speeding up the natural biogenic process that produces methane known as natural gas. BME works by artificially stimulating the micro-organisms called methanogens that break down the coal structure in real time causing the production of biogenic methane. The technology works best on lignite (brown coal), low rank black coals and oil shale. This is because of their high volatiles and hydrogen content, which if all converted to methane would yield gas quantities several times that achievable with current coal seam gas extraction.

The Company believes that there are two major applications for BME technology that represent very large target markets. The first is "stranded" coal that has minimal market value due to low quality and uneconomic depth for mining – an example is the vast lignite brown coal reserves in Victoria. The second application is the re-activation of depleted coal seam gas wells, whereby the indigenous micro-organisms in the coal are stimulated to produce further methane.

Based on WRI's bench test results, and the potential application of the BME technology to the coal reserves in Victoria, the Company commenced a BME Pilot Project at its Oak Park Testing Site near Melbourne.

Pilot Project

During the year, the Company secured regulatory approvals from the Department of Primary Industries, the Environment Protection Authority and Southern Rural Water, before announcing the commencement of the BME Pilot Project.

The Pilot Project is being conducted at the Company's Oak Park Testing Site, which is located to the west of Melbourne, Victoria, where there is evidence of substantial quantities of brown coal to which the BME technology may have commercial application.

Oak Park Pilot Site

The Pilot Project will be conducted in three phases being:

- First phase of 50 days, being the pre-treatment phase, which prepares the coal for the two subsequent phases
- Second phase of 50 days, being the addition of nutrients to the coal to stimulate existing methanogens

- Third phase of 50 days, being the addition of inoculants to the coal

The Company is utilising an existing well at its Oak Park Site, which was previously a coal seam gas pilot well. At the site, there is an approximately 20 meter thick coal seam present at a depth of approximately 90 meters, and the Company has slotted an 18 meter long 100m diameter stainless steel sleeve vertically within the seam to keep the hole open, with the intention of allowing the reactions to occur and methane to rise to surface. Surface equipment has been installed at the Pilot Site to deliver the non-organic nutrients and monitor gas and water samples.

The Company advised that during Phase One, there had been additional water inflows to the pilot well, and a hydro-geologist has been engaged to assess the significance to the Pilot. Regal is seeking clarity on this before initiating Phase Two of the Pilot, and may need to review its work plan with the relevant regulatory authorities.

Western Australia Mining Operations

During the prior financial year, the Company had entered into several joint ventures regarding its exploration and mining assets situated in Western Australia. The Company has joint venture arrangements with Black Mountain Gold Pty Ltd, Ozmay Pty Ltd and Silverlink Nominees Pty Ltd .

The development of the mining tenements contracted under these joint ventures are managed by the Company's joint venture partners for the purpose of building wealth for all stakeholders. Regal considers that placing the development in the hands of its partners will provide benefit to the Company in the event of success and limit any material cost exposure.

Farm-In Agreement with Greenpower Energy Limited

The agreement with Greenpower Energy Limited ("Greenpower") remains current. No material activity took place during the year, however Greenpower has advised the Company that it is gearing up to drill four exploration wells within the block, with results to be announced in the future.

Corporate

During the quarter, the Company successfully raised $6.1 million before associated costs via the issue of 307 million ordinary shares at an issue price of 2 cents per share.

Directors' Report

The Directors of Regal Resources Limited submit herewith the annual financial report of the Company and its controlled entities (the "consolidated entity") for the financial year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Rohan Gillespie BEng (Civil) MBA
Angus Edgar
Bretton Cooper BEc (Hons), LLB (Hons)

Company Secretary:

Adrien Wing B. Bus, CPA

Director Details

Rohan Gillespie BEng (Civil) MBA
Non-Executive Chairman

Experience:

Rohan Gillespie is Managing Director of Energy Infrastructure and Resources Limited.

Rohan previously held senior roles with BHP Billiton in its engineering, coal and petroleum divisions and most recently as Vice President and Chief Operating Officer leading the coal bed methane business. Rohan has also been a credit executive with the Commonwealth Bank and held a corporate development role with two energy start-ups; Ceramic Fuel Cells and Renewable Energy Corp.

Directorships held in other listed companies over the last 3 years: Red Sky Energy Ltd (appointed 18 September 2009)

Angus Edgar
Managing Director

Experience:

Angus Edgar has been employed in the Finance/Stockbroking industry for 26 years since 1985 with the majority of that time employed with various share broking companies. During that period he has been directly involved with providing corporate advisory services to private and ASX listed companies and the listing of several new companies onto the ASX.

Directorships held in other listed companies over the last 3 years:
- Transol Corporation Ltd, appointed 28 May 2003;
- Photo-Me Australia Ltd, appointed 9 March 2007, resigned 18 March 2009.

Bretton Cooper BEc (Hons) LLB (Hons)
Non-Executive Director

Experience:

Bretton Cooper has 30 years experience in the funding and development of new business and commercialising new technologies. Bretton conceived and developed the $200 million International Park Group and initiated the development of the Australian Sustainable Investment Fund with James Fielding Group (now Mirvac).

Bretton has been involved in the commercialisation of the Aramax building system and was an initial shareholder and director of Regional Infrastructure Pty Ltd (a developer of regional saleyards) and Energy Infrastructure and Resources Limited, a company that specializes in incubating low emission energy businesses focusing on coal bed methane, carbon capture and storage, renewable electricity and clean coal.

Bretton has core competencies in designing and implementing strategic partnerships with large and prominent companies to implement project opportunities in the infrastructure and low emission areas.

Company Secretary

Adrien Wing - Company Secretary B. Bus, CPA

Experience:

Adrien Wing is CPA qualified. He practised in the audit and corporate divisions of a chartered accounting firm before working with a number of public companies on the Australian Securities Exchange as a corporate/accounting consultant and company secretary.

Current Directorships: New Age Exploration Ltd

Review of operations

The consolidated comprehensive loss after income tax amounted to $4,054,213 (2010: $11,420,634). This result includes impairment expenses for intangible assets of $977,278 (2010: $10,238,661) and exploration expenditure of $1,092,666 (2010: $511,089).

A detailed review of activities is made on page 3 of this report.

Principal activities

The principal activities of the consolidated entity are:

(i) to identify and acquire an interest in and value–add to mineral exploration and mining opportunities in both Australia and overseas;
(ii) to commercialise intellectual property for the application of an Underground Coal to Liquid ("UCTL") and a separate hydrocarbon enhancement ("W10") process;
(iii) commercialising intellectual property for the application of the Biogenic Methane Enhancement process ("BME"); and
(iv) to seek other opportunities for the benefit of increasing shareholder returns.

Changes in state of affairs

During the financial year the following significant changes in the state of affairs of the Company occurred:

During the year the Company issued 165,000,000 shares valued at $2,320,000, as part of the consideration for acquisition of Enhanced Biogenic Methane and a number of tenements in the Democratic Republic of Congo (DRC) (Tranche 1 payment). The second tranche of consideration for the acquisition of the tenements is a payment of $US 400,000 and shares in Regal on a VWAP calculation equivalent to 75,000,000 shares at USD 1 cent (USD $750,000). It also issued 50,000,000 shares valued at $680,000 to settle costs associated with the acquisition of the tenements. In addition to this it issued 307,750,000 shares raising $6,155,000 as working capital to finance costs associated with the DRC project, raising $5,427,944 net of costs.

During the year the company issued 50,000,000 options.

Regal Resources Limited ("Regal") acquired 100% of the ordinary shares of Enhanced Biogenic Methane Pty Ltd ("EBM") via the issue of 40 millions shares. EBM will develop a pilot project for its biogenic enhancement technology. As part of this transaction the company also acquired a 70% interest in Euro Energy Pty Ltd a subsidiary of EBM .

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Company.

Dividends

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2011.

Share options

At the date of this report, the following table details options on issue:

Description	Number of options	Exercise price	Expiry date
Options quoted on the ASX – REROB	318,006,346	6 cents	6 November 2011
Options unlisted	183,330,000	6 cents	17 March 2014
Options unlisted	50,000,000	3 cents	31 March 2014

Indemnification and insurance of officers and auditors

The Company has entered into Deeds of Insurance, Indemnity and Access with each of the Directors under which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors while acting as Director of the Company and to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company. No indemnification has been provided by the Company to the auditors.

Directors' meetings

The following table sets out the number of Directors' meetings during the financial year and the number of meetings attended by each director. During the financial year, ten such board meetings were held. No nomination and remuneration committee meetings and two audit committee meetings were held as per the explanation given in the Company's corporate governance statement.

	Full Board		Audit and Risk Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Mr. Rohan Gillespie	10	10	2	2
Mr. Angus Edgar	10	10	2	2
Mr. Bretton Cooper	10	10	2	2

REMUNERATION REPORT

Remuneration Policy – (audited)

The remuneration policy of Regal Resources Ltd has been designed to align director and executive objectives with shareholder and business objectives. The Board of Regal Resources Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the consolidated entity, as well as create goal congruence between Directors, Executives and shareholders.

The Board manages the remuneration policy, setting the terms and conditions for Directors and other senior Executives. Remuneration including fringe benefits, options and performance incentives may be paid dependent upon individual performance, company performance, contract terms and the discretion of the Board.

Directors and executive remuneration is detailed below in this director's report.

No formal contract of employment exists with any director or company secretary.

The consolidated entity has the following arrangements in place with director related entities:

- The Board resolved (with the exclusion of Mr Angus Edgar) to appoint Mr Angus Edgar as Managing Director for a period up until 31 December 2009, or until otherwise resolved. Mr Edgar currently remains Managing Director and is entitled to $20,000 plus GST per month.
- Refer to note 25 of the financial statements for details on related party transactions during the year.

All remuneration paid to Directors and Executives is valued at the cost to the consolidated entity and expensed.

The board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of director fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting.

Fees for Non-executive Directors are not linked to the performance of the consolidated entity. However to align Directors' interests with shareholder interests, Directors are encouraged to hold shares in the Company and may be offered options at the discretion of the board.

The nature and amount of compensation as detailed in this report reflects the remuneration policy above. Since remuneration is fixed there is no change in remuneration as a result of consolidated entity performance during the reporting period. Due to the short history of the Company as a listed entity, there is at present no meaningful correlation between the Executive and Director remuneration and the performance of the consolidated entity.

Names and positions held of Directors and Executives in office at any time during the past two financial years are:

Directors

Mr. Rohan Gillespie	Chairman
Mr. Angus Edgar	Managing Director
Mr. Bretton Cooper	Non-Executive Director

Executives

Mr. Adrien Wing	Company Secretary

Directors' Compensation – (audited)

	Primary			**Post Employment**	**Equity**	**Total**	**% Performance Based**
	Director Fees	Consulting fees	Bonus	Super-annuation	Options		
2011	$	$	$	$	$	$	
Mr. Bretton Cooper	24,000	-	-	2,160	-	26,160	Nil
Mr. Rohan Gillespie	24,000	-	-	2,160	-	26,160	Nil
Mr. Angus Edgar *	-	204,000	-	-	375,000	579,000	64.8%
	48,000	204,000	-	4,320	375,000	631,320	

*Options issued to Mr Edgar are valued using a Black-Scholes option pricing model in determining fair value at grant date as per AASB 2 "Share-based Payments". Options have been granted for no consideration. Options carry no dividends or voting rights. The terms and conditions of the options are as follows:

Number of options:	25,000,000
Date of approval:	28 April 2011
Last share price (cents):	2.5
Exercise Price (cents):	3.0
Expiry date:	31 March 2012
Term (years):	3
Days available:	1,068
Risk free rate:	5.095%
Volatility:	100.00%
Black-Scholes calculation (cents):	1.5
Value $:	375,000

	Primary			Post Employment	Equity	Total	% Ave Performance Based
	Director Fees	Consulting fees	Bonus	Super-annuation	Options		
2010	$	$	$	$	$	$	
Mr. Anthony Short (1)	-	-	-	-	-	-	Nil
Mr. Angus Edgar	-	168,000	-	-	-	168,000	Nil
Mr. Bretton Cooper	22,000	-	-	1,980	-	23,980	Nil
Mr. Rohan Gillespie	22,000	-	-	1,980	-	23,980	Nil
	44,000	168,000	-	3,960	-	215,960	

(1) Resigned 15 January 2010.

Executives' Compensation - (audited)

	Primary			Post Employment	Equity	Total	% Ave Performance Based
	Salary & Fees	Consulting fees	Bonus	Super-annuation	Options		
2011	$	$	$	$	$	$	
Mr. Adrien Wing	-	60,000	-	-	-	60,000	Nil

	Primary			Post Employment	Equity	Total	% Ave Performance Based
	Salary & Fees	Consulting fees	Bonus	Super-annuation	Options		
2010	$	$	$	$	$	$	
Mr. Adrien Wing	-	66,800	-	-	-	66,800	Nil

Share-based Compensation (audited)

Options

Options granted carry no dividend or voting rights and can have varied contractual lives.

Options were issued to Directors and Executives during the year. No options were issued to employees in prior years as part of their remuneration.

Options (continued)

The following table discloses the value of options which were issued during the year.

	Number of Options granted	Exercise price per share	Value at grant date	Value of Options included in remuneration	Expiry Date	% of total remuneration consisting of options
		$	$	$		
Executives						
Mr A Edgar	25,000,000	0.03	375,000	375,000	31/03/13	64.8%

*Options issued to Mr Edgar are valued using a Black-Scholes option pricing model in determining fair value at grant date as per AASB 2 "Share-based Payments". (Refer to Note 8.)

The following employee incentive options were issued during the financial years ended 30 June 2011 or 2010.

	Number of options	Weighted Average Exercise price (cents)	Number of options	Weighted Average Exercise price (cents)
	2011		**2010**	
Balance at beginning of the financial year	-	-	-	-
Granted during the financial year	25,000,000	2.0	-	-
Cancelled during the financial year	-	-	-	-
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year	-	-	-	-
Exercisable at end of the financial year	25,000,000	2.0	-	-

This is the end of the remuneration report, which has been audited.

Equity holdings

Number of Shares and Options held by Directors and Specified Executives at the date of this report:

Directors	Shares	Options
Mr. Angus Edgar	92,500,000	100,487,200
Mr. Bretton Cooper *	104,330,000	45,000,000
Mr. Rohan Gillespie *	104,330,000	45,000,000
Specified Executives		
Mr. Adrien Wing	5,450,001	4,151,429

* 104,330,000 shares and 45,000,000 options are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

NON – AUDIT SERVICES

The Board considers any non audit services provided by the auditor in order to be satisfied that the services provided are compatible with, and do not compromise, the auditors independence requirements of the *Corporations Act 2001* and to ensure:

- All non audit services are subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectives of the auditor; and

- The non audit services provided do not undermine the general principles relating to the auditors independence as set out in APES 110: Code of Ethics for professional Accountants and do not involve reviewing or auditing the auditors own work, acting as an advocate for the Company or jointly sharing risk and reward.

Details of the amount paid or accrued to the auditor of the Company, PKF, and their related practices for audit and non audit services provided during the year are set out below:

	2011	**2010**
	$	**$**
Audit and review of financial reports	31,500	32,000
Other services	-	-
Total	31,500	32,000

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings against the Company, or to intervene in any proceedings to which the Company is a part, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company under Section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 17.

Signed in accordance with a resolution of the Directors made pursuant to Section 298 (2) of the *Corporations Act 2001.*

On Behalf of the Directors

A Edgar
Managing Director

Melbourne, 30 September 2011

Chartered Accountants
& Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors
Regal Resources Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

- no contraventions of any applicable code of professional conduct in relation to the audit.

J A Mooney
Partner
PKF

30 September 2011
Melbourne

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF REGAL RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Regal Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Regal Resources Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF REGAL RESOURCES LIMITED

Auditor's Opinion

In our opinion:

(a) the financial report of Regal Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Regal Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

PKF

PKF

J A Mooney
Partner

30 September 2011
Melbourne

Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and giving a true and fair view of the financial position as at 30 June 2011 of the consolidated entity and of its performance for the year ended on that date;

(c) the remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with section 300A of the *Corporations Act 2001*;

(d) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 2(c); and

(e) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of *the Corporations Act 2001*.

On behalf of the Directors

A Edgar
Managing Director

Melbourne, 30 September 2011

		CONSOLIDATED	
	Note	2011 $	2010 $
Interest income	5a	90,654	82,764
Other income	5a	-	9,219
Employee benefits expense		(282,133)	(218,948)
Share based remuneration		(375,000)	-
Provision for non-recovery of intercompany loans		(554,731)	-
Depreciation & amortisation expense		(1,024)	-
Share of net loss of associate		(600)	-
Consulting expense		(801,927)	(251,609)
Occupancy expense		(33,403)	(44,747)
Impaired exploration expenditure	5b	(1,092,666)	(511,089)
Impaired intangible assets	5b	(977,278)	(10,238,661)
Loss on sale of tenements	5b	-	(12,594)
Impairment of available for sale financial assets		(140,000)	-
Compliance & regulatory costs		(57,038)	(61,280)
Other expenses		(334,834)	(355,562)
Loss before income tax expense		**(4,559,980)**	**(11,602,507)**
Income tax benefit	6	632,967	309,953
Loss after income tax benefit for the year		**(3,927,013)**	**(11,292,554)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(127,200)	(128,080)
Other comprehensive income for the year, net of tax		(127,200)	(128,080)
Total comprehensive loss		**(4,054,213)**	**(11,420,634)**
Loss for the year is attributable to:			
Non-controlling interest		(371)	-
Owners of Regal Resources Limited		(3,926,642)	(11,292,554)
		(3,927,013)	**(11,292,554)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(370)	-
Owners of Regal Resources Limited		(4,053,843)	(11,420,634)
		(4,054,213)	(11,420,634)
Loss per share:			
Basic earnings per share	22	(0.58)	(1.90)
Diluted earnings per share	22	(0.58)	(1.90)

The accompanying notes form part of these financial statements.

	Note	CONSOLIDATED 2011 $	2010 $
Current assets			
Cash and cash equivalents	10	5,657,557	2,491,220
Trade and other receivables	11	272,799	399,304
Other current assets	12	18,163	26,134
Total current assets		**5,948,519**	**2,916,658**
Non-current assets			
Receivables	11	1,998	1,998
Investment accounted for using the equity method	13	-	-
Other financial assets	14	254,400	381,600
Intangibles	15	-	-
Property, plant and equipment	16	25,159	-
Exploration, evaluation and development expenditure	17	15,296,393	12,906,709
Total non-current assets		**15,577,950**	**13,290,307**
Total assets		**21,526,469**	**16,206,965**
Current liabilities			
Trade and other payables	18	1,240,536	418,946
Total current liabilities		**1,240,536**	**418,946**
Non-current liabilities			
Borrowings	19	53,881	-
Total non-current liabilities		**53,881**	**-**
Total liabilities		**1,294,417**	**418,946**
Net assets		**20,232,052**	**15,788,019**
Equity			
Issued capital	20	35,663,372	27,915,428
Reserves	21	7,540,757	6,917,957
Accumulated losses		(22,972,008)	(19,045,366)
Equity attributable to owners		20,232,121	15,788,019
Non-controlling interest		(69)	-
Total equity		**20,232,052**	**15,788,019**

The accompanying notes form part of these financial statements.

Consolidated For the year ended 30 June 2011	Attributable to equity holders					
	Ordinary Shares $	Asset Revaluation Reserve $	Options Premium Reserve $	Accumulated Losses $	Non-controlling interest $	Total Equity $
At beginning of year	27,915,428	121,050	6,796,907	(19,045,366)	-	15,788,019
Other comprehensive income for the year, net of tax	-	(127,200)	-	-	-	(127,200)
Loss after income tax benefit for the year	-	-	-	(3,926,642)	(371)	(3,927,013)
Total comprehensive loss for the year	-	(127,200)	-	(3,926,642)	(371)	(4,054,213)
Share issues, net of transaction costs	7,747,944	-	-	-	-	7,747,944
Recognition of non-controlling interest at acquisition date	-	-	-	-	302	302
Options issued	-	-	750,000	-	-	750,000
At end of year	**35,663,372**	**(6,150)**	**7,546,907**	**(22,972,008)**	**(69)**	**20,232,052**

Consolidated For the year ended 30 June 2010	Attributable to equity holders					
	Ordinary Shares $	Asset Revaluation Reserve $	Options Premium Reserve $	Accumulated Losses $	Non-controlling interest $	Total Equity $
At beginning of year	25,506,390	249,130	6,232,074	(7,752,812)	-	24,234,782
Other comprehensive income for the year, net of tax	-	(128,080)	-	-	-	(128,080)
Loss after income tax benefit for the year	-	-	-	(11,292,554)	-	(11,292,554)
Total comprehensive loss for the year	-	(128,080)	-	(11,292,554)	-	(11,420,634)
Share Placement	2,500,200	-	-	-	-	2,500,200
Share Purchase Plan	39,600	-	-	-	-	39,600
Options Issue	-	-	564,833	-	-	564,833
Shares issue expenses	(130,762)	-	-	-	-	(130,762)
At end of year	**27,915,428**	**121,050**	**6,796,907**	**(19,045,366)**	**-**	**15,788,019**

The accompanying notes form part of these financial statements

	NOTE	CONSOLIDATED 2011 $	2010 $
Cash flows from operating activities			
Interest received		90,654	81,599
Payments to suppliers and employees		(1,205,678)	(959,490)
Research and development tax grants		632,967	445,190
Refund of tax withheld from interest		-	9,219
Net cash used in operating activities	26 (b)	(482,057)	(423,482)
Cash flows from investing activities			
Payment for property, plant & equipment		(26,183)	-
Payment for intangibles		(501,663)	(3,362,269)
Proceeds from sale of tenements		-	40,000
Purchase of controlled entities (net of cash acquired)	27	165,633	-
Proceeds/(Payment) for deposits		-	17,987
Payment for exploration, evaluation and development		(1,211,487)	(147,440)
Payments for shares in listed entities		(140,000)	-
Net cash used in investing activities		(1,713,700)	(3,451,722)
Cash flows from financing activities			
Proceeds from issues of equity securities		6,155,000	2,539,800
Proceeds from repayment of loans		60,000	
Proceeds from borrowings		53,881	-
Advances to associated entity		(554,731)	-
Payment for share issue costs		(352,056)	(150,015)
Net cash provided by financing activities		5,362,094	2,389,785
Net (decrease)/increase in cash and cash equivalents		3,166,337	(1,485,419)
Cash and cash equivalents at the beginning of the financial year		2,491,220	3,976,639
Cash and cash equivalents at the end of the financial year	26 (a)	**5,657,557**	**2,491,220**

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of Regal Resources Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on the date of the signing of the Directors' declaration.

The financial report covers the consolidated entity of Regal Resources Limited and its controlled entities. Regal Resources Limited is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The principal activities of the consolidated entity are:

(i) to identify and acquire an interest in and value–add to mineral exploration and mining opportunities;
(ii) to commercialise intellectual property for the application of an Underground Coal to Liquid ("UCTL") and a separate hydrocarbon enhancement ("W10") process; and
(iii) development and commercialisation of the EBM technology;
(iv) to seek other opportunities for the benefit of increasing shareholder returns.

The address of the registered office is Level 14, 31 Queen Street, Melbourne, VIC 3000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for available-for-sale listed shares stated at fair value in note 14. The financial report is presented in Australian dollars.

The aggregate net fair value of recognised financial assets and financial liabilities are consistent with the carrying amounts in the statement of financial position.

(b) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(c) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

(d) New accounting standards and interpretations

The consolidated entity has adopted all of the new and/or revised Accounting Standards and Interpretations issued by the AASB relevant to its operations and effective for annual reporting periods beginning on 1 July 2010.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity.

AASB 101 – Presentation of Financial Statements
Adoption of AASB 101 has impacted the disclosures included in the financial statements. The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The consolidated entity has elected to present all items of recognised income and expense in one single Statement of Comprehensive Income.

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The consolidated entity has decided against early adoption of these standards. A discussion of those future requirements relevant to the consolidated entity and their impact follows:

Accounting Standards

AASB No.	**Title**	**Details of New Standard / Amendment / Interpretation**		**Operative Date (Annual reporting periods beginning on or after)**
2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.		1 Jan 2011
2010-5	Amendments to Australian Accounting Standards	These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.		1 Jan 2011

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Operative Date (Annual reporting periods beginning on or after)
124	Related Parties	This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.	1 Jan 2011
2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets	These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.	1 July 2011
2010-8	Amendments to Australian Accounting Standards-Deferred Tax: Recovery of Underlying Assets	These amendments provide a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.	1 Jan 2012

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Operative Date (Annual reporting periods <u>beginning</u> on or after)
IFRS 10	Consolidated Financial Statements	This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of ley management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.	1 Jan 2013
IFRS 11	Joint Arrangements	The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint Operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.	1 Jan 2013
IFRS 13	Fair Value Measurements	The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets, but not liabilities. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.	1 Jan 2013
IAS 27	Separate Financial Statements	They have been modified to remove specific guidance that is now contained in IFRS 10, IFRS 11, IFRS 11 and IFRS 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.	1 Jan 2013

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Operative Date (Annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements	The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss. The change provides clarity about the nature of items presented as other comprehensive income and their future impact. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.	1 Jan 2012
AASB 1054	Australian Additional Disclosures	The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.	1 July 2011
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement	They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel (KMP). The adoption of these amendments from 1 July 2013 will remove the duplication of relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.	1 July 2013
AASB 1054	Australian Additional Disclosures	The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.	1 July 2011

The consolidated entity does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the consolidated entity's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Principles of Consolidation

A controlled entity is any entity over which Regal Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 25(d) to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(g) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the consolidated entity is Australian dollars (A$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the profit and loss account.

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets relate to UCTL rights and are recorded at cost less accumulated amortisation and impairment.

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(j) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

- it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and/or
- exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit and loss account.

(k) Joint ventures

The consolidated entity's share of jointly controlled assets, liabilities, income and expenses from joint venture operations are recognised in the financial statements.

Where part of a joint venture interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the consolidated entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm-out continues to be carried forward without adjustment, unless the terms of the farm-out indicate that the value of the exploration expenditure carried forward is excessive based on the diluted interest retained or it is not thought appropriate to do so.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Recoverable amount of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment and intangible assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the Statement of Financial Position.

(n) Receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

(o) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets include listed shares reflected at fair value in note 14. Unrealised gains and losses arising from changes in fair value are taken directly to equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(p) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(q) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(s) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(t) Share-based payment transactions

The consolidated entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The consolidated entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including Directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Regal Resources Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ("the vesting period"), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the profit and loss account is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being meet; and (iii) the expired portion of the vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payment transactions (continued)

The charge to the profit and loss account for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

(i) cost of servicing equity (other than dividends) and preference share dividends;

(ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

(iii) other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

(w) Income tax

Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, expect where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit and loss account.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Regal Resources Limited.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a separate taxpayer approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, intend to enter into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements will require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-entity receivables / (payables) will be at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

(w) Income tax (continued)

The head entity in conjunction with other members of the tax-consolidated group, also intend to enter into a tax sharing agreement. The tax sharing agreement will provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

(y) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. As at 30 June 2011, no employee’s length of service had qualified for calculation of long service leave.

(iii) Superannuation

Contributions made by the consolidated entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

(z) Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity’s share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the consolidated entity's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the consolidated entity. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes (which would impact the cost of mining), future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

ii) Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options granted is estimated at the date of the granting, using the Black-Scholes Option Pricing method, applying inputs relevant to the following parameters:

Grant Date
Exercise price
Expiry date
Number of options on issue
Exercise price
Time to maturity
Underlying share price
Expected share volatility
Risk – free interest rate
Dividend yield

The accounting estimates and assumptions relating to equity-settled share-based payments has an impact on the carrying amounts of investments held and loans to controlled entities in the parent entity and an impact on the carrying amounts of acquired exploration and intangible assets in the consolidated entity.

iii) Impairment of Intangibles

The carrying value of intangibles is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit and loss account.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short-term deposits and other financial assets. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets while protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are market risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts. The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(a) Interest rate risk exposure

The consolidated entity's exposure to risks of changes in market interest rates relates primarily to the consolidated entity's cash balances. The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, before tax losses and equity would have been affected as follows:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Judgements of reasonably possible movements:		
Loss before income tax		
+ 1.0% (100 basis points) profit/(loss)	45,600	24,912
- 0.5% (50 basis points) profit/(loss)	(22,800)	(12,456)
Equity		
+ 1.0% (100 basis points)	45,600	24,912
- 0.5% (50 basis points)	(22,800)	(12,456)

The movements in losses are due to possible higher or lower interest costs from cash balances.

The sensitivity analysis above has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the period. A 0.5 to 1 percent increase or decrease in the interest rate is used and represents management's assessment of the possible change in interest rates and historically is within a range of rate movements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk exposure (continued)

Consolidated

	2011 Floating Interest Rate $	2010 Floating Interest Rate $	2011 Fixed Interest Rate $	2010 Fixed Interest Rate $	2011 Non Interest Bearing $	2010 Non Interest Bearing $	2011 Total $	2010 Total $
Financial Assets								
Cash	5,657,557	2,491,220	-	-	-	-	5,657,557	2,491,220
Receivables	-	-	142,296	141,309	130,503	259,993	272,799	401,302
Other financial assets	-	-	-	-	254,400	381,600	254,400	381,600
	5,657,557	2,491,220	142,296	141,309	384,903	641,593	6,184,756	3,274,122
Financial Liabilities								
Payables	-	-	-	-	169,673	418,946	169,673	418,946
	-	-	-	-	169,673	418,946	169,673	418,946

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk exposure

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Statement of Financial Position represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

The consolidated entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the consolidated entity's policy to securities it trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts. At 30 June 2011, there are no significant trade receivables and amounts predominantly relate to deposits or tax refunds due from the government.

There are no significant concentrations of credit risk within the consolidated entity.

(c) Equity price risk exposure

Equity price risk is the risk that changes in market equity prices will impact the consolidated entity's value of its holding of available-for-sale financial assets. The objective of equity price risk management is to manage and control risk exposure within acceptable parameters, while optimising the return.

(d) Liquidity risk

Trade payables mainly originate from expenses and the purchase of assets for ongoing operations such as property, plant, equipment, intangible asset development and exploration. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the consolidated entity monitors its expected settlement of financial assets and liabilities on an ongoing basis. There are no significant payables that are outstanding past their due date.

(e) Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes. Available-for-sale financial assets are recorded at fair value as disclosed for listed securities in note 13.

(f) Capital Risk Management

The consolidated entity's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide positive returns for shareholders and benefits for the stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is currently defined as including issued capital, reserves and accumulated losses.

	CONSOLIDATED	
	2011	**2010**
	$	**$**

5. LOSS BEFORE INCOME TAX

(a) Revenue from continuing operations

Interest income	90,654	82,764
Other income	-	9,219
	90,654	91,983

(b) Expenses

Loss for the year includes the following specific expenses:

Superannuation contributions	(4,320)	(3,960)
Impairment of loan to associate	(554,731)	-
Loss on sale of tenements	-	(12,594)
Impaired exploration expenditure	(1,092,666)	(511,089)
Impaired intangible assets	(977,278)	(10,238,661)

6. INCOME TAX

The prima facie income tax on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

Loss from operations	(4,599,980)	(11,602,507)
Income tax benefit calculated at 30% (2010: 30%)	1,379,994	3,480,752
Tax effect of permanent differences	(272,315)	(422,315)
Research and development claim	632,967	309,953
Unused tax losses and temporary differences not recognised as deferred tax assets	(1,107,679)	(3,058,438)
Income tax attributable to operating loss	632,967	309,953

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account:

Tax losses – revenue	7,972,450	6,668,270
Temporary differences	2,994,707	2,700,609
Liabilities – exploration	(4,267,659)	(3,872,013)
	6,699,498	5,496,866

7. KEY MANAGEMENT PERSONNEL

The specified key management personnel of the consolidated entity during the year were:

* Angus Edgar – Managing Director
* Bretton Cooper – Non-Executive Director
* Rohan Gillespie – Non-Executive Director/Chairman
* Adrien Wing – Company Secretary

7. KEY MANAGEMENT PERSONNEL (continued)

Shareholdings – 2011

Number of shares held by Directors and Specified Executives

Directors	Balance 1.7.10	Received as Remuneration	Options Exercised	Net Change Other (i)	Balance on Resignation	Balance 30.6.11
Mr. Angus Edgar	89,000,000	-	-	3,500,000	-	92,500,000
Mr. Bretton Cooper *	90,330,000	-	-	14,000,000	-	104,330,000
Mr. Rohan Gillespie *	90,330,000	-	-	14,000,000	-	104,330,000
Specified Executives						
Mr. Adrien Wing	-	-	-	5,450,001	-	5,450,001

(i) Net Change Other refers to shares acquired, purchased or sold during the financial year or recognised upon appointment.

* 104,330,000 shares are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

Shareholdings – 2010

Number of shares held by Directors and Specified Executives

Directors	Balance 1.7.09	Received as Remuneration	Options Exercised	Net Change Other (i)	Balance on Resignation	Balance 30.6.10
Mr. Anthony Short	6,000,000	-	-	-	(6,000,000)	-
Mr. Angus Edgar	89,000,000	-	-	-	-	89,000,000
Mr. Bretton Cooper *	90,000,000	-	-	330,000	-	90,330,000
Mr. Rohan Gillespie *	90,000,000	-	-	330,000	-	90,330,000
Specified Executives						
Mr. Adrien Wing	-	-	-	-	-	-

(i) Net Change Other refers to shares purchased or sold during the financial year or recognised upon appointment.

* 90,330,000 shares are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

Option holdings – 2011

Number of options held by Directors and Specified Executives

Directors	Balance 1.7.010	Received as Remuneration	Options Lapsed	Net Change Other	Balance on Resignation	Balance 30.6.11
Mr. Angus Edgar *	75,487,200	25,000,000	-	-	-	100,487,200
Mr. Bretton Cooper	45,000,000	-	-	-	-	45,000,000
Mr. Rohan Gillespie	45,000,000	-	-	-	-	45,000,000
Specified Executives						
Mr. Adrien Wing	-	-	-	4,151,429	-	4,151,429

*refer to note 8 for further details

Option holdings – 2010

Number of shares held by Directors and Specified Executives

Directors	Balance 1.7.09	Received as Remuneration	Options Lapsed	Net Change Other	Balance on Resignation	Balance 30.6.10
Mr. Angus Edgar	75,487,200	-	-	-	-	75,487,200
Mr. Bretton Cooper *	45,000,000	-	-	-	-	45,000,000
Mr. Rohan Gillespie *	45,000,000	-	-	-	-	45,000,000
Specified Executives						
Mr. Adrien Wing	-	-	-	-	-	-

8. SHARE BASED ARRANGEMENTS

Employee Incentive option plan

The Company has an Employee Incentive Option plan for employees of the consolidated entity. In accordance with the provisions of the Scheme, as approved by shareholders in general meeting, the employees may be entitled to participate in the scheme at the sole discretion of the Directors.

Each option under the scheme converts into one ordinary share in the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option and the options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the Directors subject to the total number of outstanding options being issued under the Scheme at any one time not exceeding 5% of the Company's issued share capital.

The options may be for varying periods but expire immediately on dismissal, resignation or termination of the employee unless the Directors resolve otherwise.

Options

Options granted carry no dividend or voting rights and can have varied contractual lives. The following options were issued to employees during the year as part of their remuneration.

	Options granted	Exercise price per share	Value at grant date	Value of Options included in remuneration	Expiry date	% of total remuneration consisting of options
		$	$	$		
Executives						
Mr. A Edgar	25,000,000	0.03	375,000	375,000	31/03/13	64.8%

There were no options issued as remuneration during the 2010 year.

8. SHARE BASED ARRANGEMENTS (continued)

	Number of options	Weighted Average Exercise price (cents)	Number of options	Weighted Average Exercise price (cents)
	2011		2010	
Balance at beginning of the financial year	-	-	-	-
Granted during the financial year	25,000,000	2.0	-	-
Cancelled during the financial year	-	-	-	-
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year	-	-	-	-
Exercisable at end of the financial year	25,000,000	2.0	-	-

Share based payments

Refer to notes 20, 21 and 27 for details on equity issues for the acquisition of controlled entities and to settle liabilities during the 2010 and 2011 years as applicable.

	CONSOLIDATED	
9. AUDIT FEES	**2011**	**2010**
	$	**$**
Audit or review of the financial report, PKF	31,500	32,000
Other services	-	-
	31,500	32,000

10. CASH AND CASH EQUIVALENTS

Cash at bank	5,657,557	2,491,220
	5,657,557	2,491,220

11. RECEIVABLES

CURRENT		
Sundry receivables	31,712	197,995
Other deposits	142,296	141,309
Deposit – former related party (note 25)	-	60,000
GST receivable	98,791	-
	272,799	399,304
NON-CURRENT		
Other receivables	1,998	1,998
Loan – UCTL Pty Ltd	554,731	-
Less: Provision for non-recovery of loans	(554,731)	-
	1,998	1,998

12. OTHER CURRENT ASSETS

Prepayments	18,163	26,134
	18,163	26,134

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – NON CURRENT

Investment in associated entity	-	-

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – NON CURRENT (CONTINUED)

	CONSOLIDATED	
	2011 $	2010 $
Balance at the beginning of the financial year	-	-
Investment in associate accounted for using the equity method	600	-
Share of loss of associate	(600)	-
	-	-

The investment in UCTL Pty Ltd, a 50% owned associated entity was acquired during the year and the corresponding loss taken up.

14. OTHER FINANCIAL ASSETS - NON-CURRENT

Listed shares, at fair value	254,400	381,600
	254,400	381,600

The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding expected transaction costs.

15. INTANGIBLES

BME project	746,928	-
Less Impairment	(746,928)	-
	-	-
W10 project	280,086	280,086
Less Impairment	(280,086)	(280,086)
	-	-
UCTL project	10,365,569	9,958,575
Less Impairment	(10,365,569)	(9,958,575)
	-	-
	-	-

Movement in carrying amounts

Balance at the beginning of the financial year	-	6,089,066
UCTL refund on acquisition	(170,167)	-
Additional expenditure	406,994	3,869,509
Impairment expense	(236,827)	(9,958,575)
Carrying amount at end of the financial year	-	-
Balance at the beginning of the financial year	-	-
W10 rights acquired	-	175,000
Additional expenditure	-	105,086
Impairment expense	-	(280,086)
Carrying amount at end of the financial year	-	-
Balance at the beginning of the financial year	-	-
BME rights acquired on acquisition of business	645,782	-
Additional expenditure	94,669	-
Impairment expense	(740,451)	-
Carrying amount at end of the financial year	-	-

	CONSOLIDATED	
	2011	2010
	$	$

15. INTANGIBLES (CONTINUED)

As at 30 June 2011, an assessment by the Directors of the current stage of the UCTL, BME and W10 technology development and testing resulted in an impairment expense recorded for the current financial year.

16. PROPERTY, PLANT & EQUIPMENT

	2011 $	2010 $
Plant and equipment at cost	26,183	-
Less: accumulated depreciation	(1,024)	-
	25,159	-

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year:

	2011 $	2010 $
Balance at the beginning of the financial year	-	-
Additions	26,183	-
Depreciation expense	(1,024)	-
Carrying amount at end of the financial year	25,159	-

17. EXPLORATION AND EVALUATION

	2011 $	2010 $
Exploration and evaluation expenditure	15,296,393	12,906,709

Movements in carrying amounts

Movement in the carrying amounts exploration and evaluation expenditure between the beginning and end of the current financial year:

	2011 $	2010 $
Balance at the beginning of the financial year	12,906,709	13,372,952
Additions	1,211,487	147,440
Exploration tenements acquired	2,270,863	-
Impairment of exploration expenditure	(1,092,666)	(511,089)
Sale of tenements	-	(102,594)
Balance at the end of the financial year	15,296,393	12,906,709

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuation of the consolidated entity's rights to tenure of the interests, results of future exploration and successful development or alternatively, sale of the respective areas of interest.

18. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade creditors	118,857	308,913
Accruals and other payables	1,121,679	110,033
	1,240,536	418,946

19. BORROWINGS

	2011 $	2010 $
Loan – Coalbed Concepts	3,000	-
Loan - EIR	50,881	-
	53,881	-

20. ISSUED CAPITAL

	CONSOLIDATED	
	2011	2010
	$	$
1,112,830,187 (2010: 640,080,187) fully paid ordinary shares	35,663,372	27,915,428
	35,663,372	27,915,428

The Company has unlimited authorised capital with no par value.

	2011 No. of shares	2010 No. of shares
(i) Number of Shares		
At the beginning of the year	640,080,187	583,640,187
Shares issued during the year:		
23 April 2010	-	55,560,000
11 June 2010	-	880,000
23 November 2010	40,000,000	-
11 January 2011	20,000,000	-
16 May 2011	307,750,000	-
17 May 2011	75,000,000	-
17 May 2011	30,000,000	-
At the end of the year	1,112,830,187	640,080,187

(ii) Issued Capital Movement	CONSOLIDATED	
	2011	2010
	$	$
At the beginning of the year	27,915,428	25,506,390
Shares issued during the year:		
23 April 2010 – placement @ $0.045	-	2,500,200
11 June 2010 – share purchase plan @ $0.045	-	39,600
23 November 2010 – acquisition of EBM	440,000	-
11 January 2011 – acquisition of South Kivu	200,000	-
16 May 2011 – Share Placement @ $0.020	6,155,000	-
17 May 2011 – acquisition of South Kivu	1,200,000	-
17 May 2011 – Settlement of consulting fees	480,000	-
Cost of Shares Issued	(727,056)	(130,762)
At the end of the year	35,663,372	27,915,428

21. RESERVES

		CONSOLIDATED 2011 $	2010 $
Option premium reserve	(a)	7,546,907	6,796,907
Asset revaluation reserve	(b)	(6,150)	121,050
		7,540,757	6,917,957

a) Option premium reserve

	2011	2010
318,006,346 (2010: 318,006,346) Options (ASX: REROB)	863,774	863,774
233,330,000 (2010: 183,330,000) Options (unlisted)	6,683,133	5,933,133
	7,546,907	6,796,907

i) Options movement

	2011	2010
At the beginning of the year	6,796,907	6,232,074
5 October 2009 – consulting fees	-	133,733
14 December 2009 – W10 project costs	-	75,000
2 March 2010 – consulting fees	-	356,100
17 May 2011 – share based remuneration	375,000	-
17 May 2011 – underwriting costs	375,000	-
At the end of the year	7,546,907	6,796,907

ii) Number of Options

Options – ASX Code	**REROB**	**Unlisted**	**Total**
Exercise Price	**6 cents**	**6 cents**	
Expiry Date	**6/11/11**	**17/03/14**	
Balance as at 30 June 2009	313,006,346	170,000,000	483,006,346
Consulting fees	-	13,330,000	13,330,000
W10 project costs	5,000,000	-	5,000,000
Balance as at 30 June 2010	318,006,346	183,330,000	501,336,346
Share based remuneration	-	25,000,000	25,000,000
Underwriting costs	-	25,000,000	25,000,000
Balance as at 30 June 2011	318,006,346	233,330,000	551,336,346

Nature of reserve
The option premium reserve represent amounts for the future right to acquire shares at a pre-determined price.

21. RESERVES (CONT'D)

b) Asset revaluation reserve	**CONSOLIDATED 2011 $**	**2010 $**
At the beginning of the year	121,050	249,130
Net change in fair value of available-for-sale instruments	(127,200)	(128,080)
At the end of the year	(6,150)	121,050

Nature of reserve
The asset revaluation reserve represents the cumulative net Increase or decrease in the fair value of available-for-sale investments until the investment is derecognised.

22. LOSS PER SHARE

	2011	**2010**
Basic loss per share (cents per share)	(0.58)	(1.90)
Loss used in calculation of basic loss per share ($)	(3,926,643)	(11,292,554)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	676,655,529	594,036,899

Options outstanding at year end:

Listed options REROB:	318,006,346
Unlisted options:	233,330,000

The options outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 30 June 2011 and 2010.

23. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Tenements	**CONSOLIDATED 2011 $**	**2010 $**
No later than one year	398,314	41,187
Longer than one year, but not longer than five years	420,526	59,909
Longer than 5 years	-	-
	818,840	101,096

During the year, the Company entered into a Joint Venture Agreement with Afrimines Resources SPRL (Afrimines) to acquire a 70% interest in a group of 13 contiguous exploration permits in the South Kivu Province, east central Democratic Republic of Congo (South Kivu Project). Commitments in the DRC are in the form of land tax on the permits and are included in the table above.

In the 2010 year, the consolidated entity has entered into agreements to farm-out immediate commitment requirements on a significant number of tenements held.

The consolidated entity intends to carry out expenditure on each project to meet Department of Industry and Resources commitments. Future funding and/or farm–out options will be considered on an ongoing basis to ensure the consolidated entity has sufficient funds to comply with its commitments.

23. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Subject to results obtained from such exploration as carried out, and ongoing assessment of each of the consolidated entity's projects, the consolidated entity may farm–out, or relinquish its rights to earn on any or all of its projects, thereby reducing the level of commitments disclosed above.

If the consolidated entity decides to relinquish certain leases and / or does not meet its obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sale, transfer and/or farm–out of explorations rights to third parties will reduce or extinguish these obligations.

(b) Royalties

Gold

The parent entity has numerous royalty agreements payable for gold production on Eucalyptus and Yerilla and some tenements at Mt. Zephyr, Mt. Korong and Kookynie.

Petroleum

In accordance with the terms of the purchase of Western Victorian Energy Pty Ltd, Eastern Star Limited has a right to receive a 2.5% royalty of any petroleum produced, saved or sold from the tenements EL4507 and EL4510.

(c) Native Title Claims

Legislative developments and judicial decisions (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the "Mabo" and "Wik" cases and Native Title legislation) may have an adverse impact on the consolidated entity's ability to fund those activities. It is impossible at the time to quantify the impact (if any) that these developments may have on the consolidated entity's operations.

The consolidated entity is aware of Native Title claims in respect of ground in which the consolidated entity has an interest. It is possible that further claims could be made in the future. However, the consolidated entity cannot determine whether any current claims, if made, will succeed and, if so, what the implications would be to the consolidated entity.

(d) Stamp duty

Tenements associated with the acquisition of Eucalyptus projects are complete save for the receipt of stamp duty. This assessment is unable to be assessed due to royalty provisions associated with the tenement acquisition.

(e) Bank Guarantees

Bank guarantees are in place as at 30 June 2011 amounting to $124,500 (2010 : $124,500)

24. SEGMENT INFORMATION

The consolidated entity's operations are predominantly within Australia and relate to the development of technology for an underground coal to liquids ("UCTL") and a separate hydrocarbon enhancement ("W10") process, Biogenic Methane Enhancement and also gold exploration.

	Gold Exploration		UCTL Technology		W10 Technology		BME		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$	$	$	$	$
Revenue										
Segment Revenue	-	-	-	-	-	-	-	-	-	-
Unallocated Revenue									89,546	91,983
Total Revenue									89,546	91,983
Result from operations										
Segment Result	(1,613,002)	(511,089)	(230,550)	(10,003,750)	-	(280,086)	(94,669)	-	(1,938,221)	(10,794,925)
Unallocated Expenses									(2,621,759)	(807,582)
Result before tax									(4,559,980)	(11,602,507)
Income tax benefit									632,967	309,953
Consolidated net loss									(3,927,013)	(11,292,554)
Assets										
Segment assets	20,462,696	2,437,913	37,739	10,468,796	-	-	769,571	-	21,270,006	12,906,709
Unallocated assets									256,463	3,300,256
Total assets									21,526,469	16,206,965
Liabilities										
Segment Liabilities	(1,194,006)	(9,596)	(57,256)	(287,439)	-	-	(66,251)	-	(1,317,513)	(297,035)
Unallocated Liabilities									23,096	(121,911)
Total Liabilities									(1,294,417)	(418,946)
Other Segment Information										
Exploration expenditure	1,211,487	147,440	236,827	-	-	-	740,451	-	2,188,765	147,440
Capital expenditure	19,365	-	-	-	-	-	-	-	19,365	-
Depreciation	(1,024)	-	-	-	-	-	-	-	(1,024)	-
Impaired assets	(1,092,666)	(511,089)	(236,827)	(9,958,575)	-	(280,086)	(740,451)	-	(2,069,944)	(10,749,750)

25. RELATED PARTY DISCLOSURES

a) Key management personnel remuneration and equity holdings

A summary of key management personnel compensation is as follows:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Short-term employee benefits	252,000	278,800
Post employment benefits	4,320	3,960
Share based payments	375,000	-
	631,320	282,760

Refer to the Remuneration Report in the Directors' Report for detailed compensation disclosure on key management personnel. The company has taken advantage of the relief provided by the Corporations Regulation 2M.6.04 to transfer the detailed compensation disclosures on key management personnel to the Directors' Report.

Details of key management personnel equity holdings are disclosed in note 7 to the financial statements.

b) Loans to Key Management Personnel

No formal loans were extended to key management personnel.

c) Other transactions with related entities

The consolidated entity entered into transactions to/from related companies during the year. These companies are related due to the companies having common Directors.

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
	$	**$**
Services provided to/(from) related entities of A Short:		
AAG Management Pty Ltd	-	(43,100)
Balances receivable/(payable) as at the end of the year:		
AAG Management Pty Ltd – unsecured deposit	-	60,000
Services provided to/(from) related entities of A Edgar:		
Melbourne Capital Limited – capital raising fees - cash	-	(150,015)
Payment for services to/(from) related entity of B Cooper and R Gillespie		
Energy Infrastructure and Resources Ltd - fees	119,126	-
Payment for acquisition to/(from) related entity of A Edgar:		
Transol Corporation Limited – acquisition costs	200,000	-

Enhanced Biogenic Methane Pty Ltd

During the 2010 year, the consolidated entity entered into a joint venture arrangement with Enhanced Biogenic Methane Pty Ltd ("EBM"), a company associated with Mr Rohan Gillespie and Mr Bretton Cooper. EBM has been granted an exclusive Australian licence to patented biogenetic methane enhancement (BME) technology from the Western Research Institute (WRI) of Wyoming, USA. No financial transactions occurred with EBM during the 2010 financial year.

During the current year, the Company purchased 100% of the issued capital of EBM via the issue of 40 million ordinary shares and settlement of loans ($200,000). EBM holds an exclusive Australian and Northern Ireland licence to Biogenic Methane Enhancement (BME) technology.

The patent pending technology has been developed by the Western Research Institute of Wyoming ("WRI"), and Regal is the first company in the world to have been granted a licence to the technology process for application and testing outside of North America.

25. RELATED PARTY DISCLOSURES (continued)

UCTL Pty Ltd

During the year, the Company restructured its pre-existing licence agreements and formed a special purpose company, UCTL Pty Ltd, to develop and commercialise the UCTL suite of technologies. UCTL Pty Ltd is an entity that is owned 50/50 between Regal and Forbes Oil and Gas Limited.

UCTL Pty Ltd holds an exclusive license from Forbes to develop and commercialise the UCTL and W10 technologies and will pay a 2% royalty to each of Forbes and Regal. The previous license between Regal subsidiary Magma Oil Pty Ltd and Forbes has been terminated, with the commercialisation and royalty commitments superseded by the above new arrangements.

d) Controlled Entities

The parent entity is Regal Resources Limited.

The consolidated financial statements include the financial statements of Regal Resources and the subsidiaries listed below:

Name	Country of Incorporation	% Equity Interest	
		2011	2010
Western Victoria Energy Pty Ltd	Australia	100	100
Magma Oil Pty Ltd (i)	Australia	100	100
MOL Gippsland Pty Ltd	Australia	100	100
Enhanced Biogenic Methane Pty Ltd (ii)	Australia	100	-
Euro Energy Pty Ltd (iii)		70	

(i) The ownership of Magma Oil Pty Ltd is held by Western Victoria Energy Pty Ltd.

(ii) Refer to Note 27 for details of the acquisition.

(iii) 70% owned by Enhanced Biogenic Methane Pty Ltd

(e) Parent Entity Information

	2011 $	2010 $
Current assets	5,786,502	2,504,022
Total assets	9,814,903	15,860,948
Current liabilities	114,167	125,250
Total liabilities	114,167	125,250
Issued capital	35,663,372	27,915,424
Accumulated losses	(33,628,394)	(19,097,687)
Asset revaluation reserve	(6,150)	121,050
Options premium reserve	7,546,908	6,796,907
Total shareholders' equity	9,575,736	15,735,698
Loss of the parent entity	(14,405,710)	(11,348,175)
Total comprehensive loss of the parent entity	(3,555,498)	(11,476,255)

26. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED	
	2011	2010
	$	$
Cash and cash equivalents	5,657,557	2,491,220
Cash and cash equivalents	5,657,557	2,491,220

	CONSOLIDATED	
(b) Reconciliation of loss to net cash from operating activities	2011	2010
	$	$
Loss for the period	(3,927,013)	(11,292,554)
Exploration written-off/impaired	1,092,666	511,089
Impaired intangible assets	977,278	10,238,661
Impaired loan to associate	554,731	-
Impaired investment	140,000	-
Depreciation	1,024	-
Share based payments (director)	375,000	-
Share based payments (consultants)	375,000	-
Loss on sale of non-current assets	-	12,594
Changes in net asset and liabilities:		
Receivables	66,505	66,831
Other assets	7,971	(10,628)
Payables	(145,219)	50,525
Net cash used in operating activities	(482,057)	(423,482)

(c) Non-cash financing and investing activities

In the course of the 2011 financial year the following non-cash financing and investing activities occurred:

- Options issued to settle liabilities at fair value of $500,000 (2010: $564,833).
- Shares issued for South Kivu acquisition at fair value of $1,200,000 (2010: nil).

27. ACQUISITION OF CONTROLLED ENTITIES

During the 2011 financial year the following controlled entities were acquired:

	EBM	
Effective date of acquisition:	23 Nov 2010	
	$	
(a) Purchase consideration		
Shares issued (i)	440,000	
	440,000	
(b) Assets & Liabilities Acquired	Fair Value	Book Value
	$	$
Cash & cash equivalents	165,633	165,633
Trade receivables	8,161	8,161
Plant & equipment	1,295	1,295
Intellectual property	-	645,780
Trade payables	(86,195)	(86,195)
Other payables	(44,674)	(44,674)
Loans	(250,000)	(250,000)
	(205,780)	440,000
(c) Net Cash Effect		
Cash consideration paid		-
Net cash acquired		165,633
		165,633

	EBM
(i) Share Issues:	
Shares issued	40,000,000
Share price on recent market sales	$0.011

28. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

CORPORATE GOVERNANCE

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

Introduction
Regal Resources Ltd ("the Company") has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below.

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are achieved, how risk is monitored and assessed and how performance is optimised.

The Board and management are committed to corporate governance and, to the extent that they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles as set out in the Corporate Governance Principles and Recommendation (2nd Edition) as published by the ASX Corporate Governance Council.

Whilst the Board has demonstrated, and continues to demonstrate, its commitment to best practice in corporate governance, it emphasises that good corporate governance is only one factor contributing to the success of the Company's operations.

Additional information about the Company's corporate governance practices is set out on the Company's website at www.regalresources.com.au.

The table below summarises the Company's compliance with the Corporate Governance Council's Recommendations:

Principle	ASX Corporate Governance Council Recommendations	Comply
1	Lay solid foundations for management and oversight	
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	Yes
2	Structure the Board to add value	
2.1	A majority of the board should be independent Directors.	No
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	Yes
2.5	Disclose the process for evaluating the performance of the board, its committees and individual Directors.	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	Yes
3	Promote ethical and responsible decision-making	
3.1	Establish a code of conduct and disclose the code or a summary as to:	Yes
	• the practices necessary to maintain confidence in the Company's integrity;	
	• the practices necessary to take into account the Company's legal obligations and the reasonable expectations of its stakeholders; and	
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy which includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually the objectives and progress in achieving them.	No
3.3	Disclose annually the measurable objectives set for achieving gender diversity and progress towards achieving them.	No
3.4	Disclose annually the proportion of woman employees in the whole organization, women in senior executive positions and women on the board.	No
3.5	Provide the information indicated in the Guide to reporting on principle 3.	Yes
4	Safeguard integrity in financial reporting	
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive Directors;	No
	• consists of a majority of independent Directors;	Yes

	• is chaired by an independent chair, who is not chair of the board; and	Yes
	• has at least three members.	Yes
4.3	The audit committee should have a formal charter	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	Yes
5	Make timely and balanced disclosure	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	Yes
6	Respect the rights of shareholders	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	Yes
7	Recognise and manage risk	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	Yes
8	Remunerate fairly and responsibly	
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that : - it consists of a majority of independent directors; - it is chaired by an independent director; - has at least three members.	 Yes Yes No
8.3	Clearly distinguish the structure on non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	Yes

Council Principle 1: Lay solid foundations for management and oversight

1.1 Role of the Board

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfill this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

1.2 Responsibility of the Board

The Board is collectively responsible for promoting the success of the Company by:

- Supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- Ensuring the Company is properly managed;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Approval of the annual budget;
- Monitoring the financial performance of the Company;
- Approving and monitoring financial and other reporting;

- Overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- Liaising with the Company's external auditors as appropriate; and
- Monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities. Between regular meetings it will also ensure that important matters are addressed by way of circular resolutions. The Board may, from time to time, delegate some of the responsibilities listed above to its senior management team.

1.3 Materiality threshold

The Board has agreed on both quantitative and qualitative guidelines for assessing the materiality of matters. Qualitative indications of materiality would include if:

- They impact on the reputation of the Company;
- They involve a breach of legislation;
- They are outside the ordinary course of business;
- They could affect the Company's rights to its assets; or
- If accumulated they would trigger the quantitative tests.

1.4 The Chairman

The chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at Board meetings. The chairman is also responsible for chairing shareholder meetings, and arranging Board performance evaluation.

1.5 The Managing Director

The managing director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his/her responsibilities the managing director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

1.6 Role and responsibility of management

The role of management is to support the managing director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the managing director or if the matter concerns the managing director then directly to the chairman or the lead independent director, as appropriate.

1.7 Relationship of Board with management

Management of the day-to-day business of the Company is to be conducted by or under the supervision of the Board, and by those other officers and employees to whom the management function is properly delegated by the Board.

The Board will adopt appropriate structures and procedures to ensure that the Board functions independently of management. Appropriate procedures may involve the Board meeting on a regular basis without management present, or may involve expressly assigning the responsibility for administering the Board's relationship to management to a Committee of the Board.

Information is formally presented to the Board at Board meetings by way of Board reports and review of performance to date. When directors are providing information about opportunities for the Company, this should always be through the Board.

Council Principle 2: Structure the board to add value

The Company presently has two non-executive directors and one executive director. Two directors are independent in accordance with the terms of the ASX Corporate Governance Council's definition of an independent director. The Chairman (Mr Martin Ralston) is a non-executive and independent director in terms of the ASX Corporate Governance Council's definition of an independent director. The Board considers that its structure has been and continues to be appropriate in the context of the Company's current projects and operations. The Company considers that each director possesses skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and appoint independent directors as appropriate.

The full board of directors performs the role of the nomination committee.

Council Principle 3: Promote ethical and responsible decision-making

The Company complies with this recommendation other than with regard to the adoption of a diversity policy. The Company has adopted a code of conduct incorporating all corporate executives. It requires all business affairs to be conducted legally, ethically and with integrity. The code provides for reporting of breach of the code by others. The code of conduct has been made available on the Company's website.

The Board has prepared a draft diversity policy and currently is still taking advice with regard to a diversity policy prior to its adoption. The draft policy contemplates the recommendations of the Corporate Governance Council on diversity, which includes:

- requirements for the board to establish objectives for achieving gender diversity;
- the annual assessment and measurement of the company against these objectives;
- the annual disclosure of the measurement and progress in achieving the set objectives; and
- the disclosure of the proportion of women employed in the whole organization, women in senior executive positions and women on the board.

Currently there are six women in the organisation all levels. Other than the board members, there are employees within the company and its 100% subsidiary, Valleyarm Digital Pty Ltd . Where applicable, the Company has a broad policy of "outsourcing" immediately. The formulation of a final policy will also contemplate these issues and how they affect the Company.

Council Principle 4: Safeguard integrity in financial reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards.

The Company has established an audit committee and the committee fulfills its role by:

- Monitoring the integrity of the financial statements of the Company, and reviewing significant financial reporting judgments.
- Reviewing the Company's internal financial control system and risk management systems.
- Reviewing the appointment of the external auditor and approving the remuneration and terms of engagement.
- Monitoring and reviewing the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements.

Council Principle 5: Make timely and balanced disclosure

Compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. It has appointed an officer of the Company to be responsible for compliance.

Council Principle 6: Respect the rights of shareholders

Information will be communicated to shareholders as follows:

- The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act. The annual report is made available on the Company's website, and is provided in hard copy format to any shareholder who requests it.
- The half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the year. The half-year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities Exchange. The half-yearly report is made available on the Company's website, and is sent to any shareholder who requests it.
- The quarterly report contains summarised cash flow financial information and details about the Company's activities during the quarter. The quarterly report is made available on the Company's website, and is sent to any shareholder who requests it.
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a general meeting of shareholders.
- The Company's website is well promoted to shareholders and shareholders may register to receive updates, either by email or in hard copy.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

Company's website

The Company maintains a website at www.regalresources.com.au.

On its website, the Company makes the following information available on a regular and up to date basis:

- Company announcements;
- latest information briefings;
- notices of meetings and explanatory materials; and
- quarterly, half yearly and annual reports.

The website is being continuously updated with any information the directors and management may feel is material. The Company also ensures that the audit partner attends the Annual General Meeting.

Council Principle 7: Recognise and manage risk

The Company has developed an initial framework for risk management and internal compliance and control systems which covers organisational, financial and operational aspects of the Company's affairs. The framework is the subject of ongoing review and yet to be finalised. It appoints the Managing Director and Company Secretary as being responsible for ensuring that the systems are maintained and complied with.

Council Principle 8: Remunerate fairly and responsibly

The Board has established a remuneration committee. The remuneration committee is responsible for administering the remuneration policy adopted by the Company and the remuneration arrangements for non executive Directors, executive Directors and executives of the Company.

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules as at 16 September 2011

List of 20 largest shareholders

Ranking	Name	Shares Held	% of total shares
1	Energy Infrastructure & Resources Ltd	90,330,000	8.12
2	National Nominees Limited	80,102,400	7.20
3	Serec Pty Ltd	74,000,000	6.65
4	Mr Stephen Mitchell	63,250,000	5.68
5	McNeil Nominees Pty Limited	58,150,000	5.22
6	Citicorp Nominees Pty Limited	26,050,000	2.34
7	J P Morgan Nominees Australia Limited	25,907,176	2.33
8	Corridor Nominees Pty Ltd	18,165,511	1.63
9	Corporate & Resource Consultants Pty Ltd	17,000,000	1.53
10	HSBC Custody Nominees (Australia) Limited	14,700,000	1.32
11	Mungala Investments Pty Ltd	14,000,000	1.26
12	Energy Infrastructure and Resources Limited	14,000,000	1.26
13	IE Properties Pty Ltd	12,500,000	1.12
14	Mrs Jadwiga Jankowski & Mr Marek Jankowski	12,001,110	1.08
15	Gregorach Pty Ltd	11,854,811	1.07
16	Dr Li Hui	11,400,000	1.02
17	PKS Management Services Pty Ltd	10,000,000	0.90
18	Fleubaix Pty Ltd	10,000,000	0.90
19	Merriwee Pty Ltd	10,000,000	0.90
20	Bluehawk Capital Pty Ltd	10,000,000	0.90
Total of top 20 Shareholders		**583,411,008**	**52.43**

Substantial Shareholders

Name	Shares held	% of total shares
Energy Infrastructure & Resources Ltd	104,330,000	9.38
Angus Edgar and Associates	92,500,000	8.31
National Nominees Limited	80,102,400	7.20
Mr Stephen Mitchell	63,250,000	5.68
McNeil Nominees Pty Limited	58,150,000	5.22

Distribution of shareholder's holdings

Ordinary shares held	Number of shareholders	Number of shares
1 – 1,000	63	9,390
1,001 – 5,000	18	54,373
5,001 – 10,000	119	1,103,612
10,001 – 100,000	679	33,538,764
100,001 and over	586	1,078,124,048
Total	**1,465**	**1,112,830,187**

Additional information required by the Australian Securities Exchange (ASX) listing rules as at 16 September 2011

List of 20 largest option holders

Ranking	Name	Options Held	% of total options
1	Bluebase Pty Ltd	17,500,000	5.50
2	Mr George Gatsis	16,492,857	5.18
3	Wowe Pty Ltd	14,537,379	4.57
4	AXG Mining Limited	11,500,000	3.62
5	Penson Australia Nominees Pty Ltd	10,000,000	3.15
6	Mungala Investments Pty Ltd	10,000,000	3.15
7	Serec Pty Ltd	10,000,000	3.15
8	Fleubaix Pty Ltd	10,000,000	3.15
9	Kabila Investments Pty Limited	9,533,333	3.00
10	Melbourne Capital Limited	9,487,200	2.98
11	Melbourne Capital Limited	9,000,000	2.83
12	Mr Michael John Edgar	7,000,000	2.20
13	UBS Wealth Management Australia Nominees Pty Ltd	6,850,000	2.15
14	JP Morgan Nominees Australia Limited	6,625,000	2.08
15	Capraro Pty Ltd	6,000,000	1.89
16	Ms Jeannette Mary Evans	5,700,000	1.79
17	Mandevilla Pty Ltd	5,000,000	1.57
18	Forbes Oil & Gas Pty Ltd	5,000,000	1.57
19	Sixth Erra Pty Ltd	4,766,667	1.50
20	Corridor Nominees Pty Ltd	4,428,572	1.39
Total of Top 20 Option Holders		**179,421,008**	**56,42**

Substantial Shareholders

Name	Shares held	% of total shares
Bluebase Pty Ltd	17,500,000	5.50
Mr George Gatsis	16,492,857	5.18

Distribution of option holdings

Options held	Number of option holders	Number of options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	39	2,690,350
100,001 and over	174	315,315,996
Total	**213**	**318,006,346**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Company's share register as follows:

Advanced Share Registry Services Pty Ltd

Tel: +61 8 9389 8033
Fax: +61 8 9389 7871
Web: www.advancedshare.com.au

Electronic Announcements and Reports;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Company's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code RER.

Registered Office

The registered office of the company is:	Regal Resources Limited Level 14, 31 Queen Street MELBOURNE VIC 3000
Telephone	+61 3 8610 8633
Fax	+61 3 8610 8666
E mail	info@regalresources.com.au
Website	www.regalresources.com.au
Company Secretary	Adrien Wing

Mining Tenement Schedule

Project	Granted	Tenement	Blocks	Area (Ha)	Holders	Interest %
Mt Korong	Yes	P 39/4361		120	P. A. Wiltshire	100
	Yes	P 39/4362		120	P. A. Wiltshire	100
	Yes	P 39/4363		120	P. A. Wiltshire	100
	Yes	P 39/4366		125	P. A. Wiltshire	100
	Yes	P 39/4367		108	P. A. Wiltshire	100
	Yes	P 39/4368		120	P. A. Wiltshire	100
	Yes	P 39/4369		120	P. A. Wiltshire	100
	Yes	P 39/4370		119	P. A. Wiltshire	100
	Yes	P 39/4371		120	P. A. Wiltshire	100
	Yes	P 39/4372		112	P. A. Wiltshire	100
	Yes	P 39/4373		172	P. A. Wiltshire	100
	Yes	P 39/4374		197	P. A. Wiltshire	100
	Yes	P 39/4375		146	P. A. Wiltshire	100
	Yes	E 39/1196	41	12,340	Regal Resources Ltd	100
	Yes	E 39/1197	40	12,047	Regal Resources Ltd	100
Eucalyptus	No	M 39/480		200	M.J & M.J. Longman	100
	Yes	M 39/969		87	T. J. Dixon	90
	Yes	M 39/991		213	T. J. Dixon	90
	Yes	M 39/968		122	T. J. Dixon	90
	Yes	M 39/966		203	T. J. Dixon	90
	Yes	M 39/914		278	T. J. Dixon	90
	yes	M 39/1064		565	T. J. Dixon	90
	No	M 39/115		48.85	Eucalyptus Gold Mines PL	100
	Yes	M 39/292		6.11	Eucalyptus Gold Mines PL	100
	Yes	M 39/275		19.51	R. Garbutt	100
	No	P 39/565		292	R. M. McKnight	earning 90

Project	**Granted**	**Tenement**	**Blocks**	**Area (Ha)**	**Holders**	**Interest %**
Eucalyptus (cont.)						
	No	P 39/887		334	R. M. McKnight	earning 90
	No	P 39/881		303	R. M. McKnight	earning 90
	No	P 39/4622		122	T. J. Dixon	90
	No	P 39/4623		114	T. J. Dixon	90
	No	P 39/4624		121.31	R. M. McKnight	earning 90
	No	P 39/4625		181.3	R. M. McKnight	earning 90
	No	P 39/4626		126.14	R. M. McKnight	earning 90
	No	P 39/4627		159.03	R. M. McKnight	earning 90
	No	P 39/4628		186.8	R. M. McKnight	earning 90
	No	P 39/4629		152.3	R. M. McKnight	earning 90
	No	P 39/4630		106.9	R. M. McKnight	earning 90
	No	P 39/4631		192.81	R. M. McKnight	earning 90
	No	P 39/4632		150.8	R. M. McKnight	earning 90
	No	P 39/4633		182.43	R. M. McKnight	earning 90
	No	P 39/4634		117.1	R. M. McKnight	earning 90
	No	P 39/4635		158.05	R. M. McKnight	earning 90
	No	P 39/4636		160	T. J. Dixon & T. R. Faull	90
	No	P 39/4556		75.9	Regal Resources Ltd	100
	Yes	P 39/4317		8	Regal Resources Ltd	100
Mt Goose	No	P 39/9428		191.9	Regal Resources Ltd	100
	No	P 39/9429		160.5	Regal Resources Ltd	100
	No	P 39/9430		54.3	Regal Resources Ltd	100
	No	P 39/9431		185.2	Regal Resources Ltd	100
	No	P 39/9432		168.9	Regal Resources Ltd	100
	No	P 39/9433		156.9	Regal Resources Ltd	100
Mt Zephyr	No	P 39/964		604	Avoca Resources Ltd	100
	No	P 39/965		604	Avoca Resources Ltd	100
	No	P 39/4610		184.67	Avoca Resources Ltd	100
	No	P 39/4611		163.97	Avoca Resources Ltd	100
	No	P 39/4612		158.95	Avoca Resources Ltd	100
	No	P 39/4613		190.53	Avoca Resources Ltd	100
	No	P 39/4614		183.21	Avoca Resources Ltd	100
	No	P 39/4615		160.95	Avoca Resources Ltd	100
	No	P 39/4616		163.86	Avoca Resources Ltd	100

Project	Granted	Tenement	Blocks	Area (Ha)	Holders	Interest %
Menzies	Yes	M 29/14		102.8	Rox Resources Ltd	100
	Yes	M 29/88		35.2	Goongarrie Gold P/L	100
	Yes	M 29/153		989.63	Goongarrie Gold P/L	100
	Yes	M 29/154		345.3	Goongarrie Gold P/L	100
	Yes	M 29/184		640	Rox Resources Ltd	100
	Yes	M 29/212		923.55	Rox Resources Ltd	100
	No	M 29/223		15	Goongarrie Gold P/L	100
	No	M 29/225		581	Julia Gold P/L	100
	Yes	P 29/42		1	Regal Resources Ltd	100
	Yes	P 29/43		1	Regal Resources Ltd	100
	Yes	P 29/44		1	Regal Resources Ltd	100
Malcolm	Yes	M 37/1164		105	Liberty Gold NL	100