

Regal Resources Limited

ABN 23 106 294 106

Interim Report - 31 December 2010

Regal Resources Limited
Corporate directory
31 December 2010

Directors	Angus Edgar <i>Managing Director</i> Rohan Gillespie <i>Non-executive Director</i> Bretton Cooper <i>Non-executive Director</i>
Company secretary	Adrien Wing
Registered office	Level 14, 31 Queen Street Melbourne VIC 3000 Tel: (+61 3) 8610 8633 Fax: (+61 8) 8610 8666
Principal place of business	Level 14 31 Queen Street Melbourne VIC 3000
Share register	Advanced Share Registry Services 150 Stirling Highway Nedlands WA 6009 Tel: (+61 8) 9389 8033 Fax: (+61 8) 9398 7871
Auditor	PKF Level 14, 140 William Street Melbourne VIC 3000
Stock exchange listing	Regal Resources Limited shares are listed on the Australian Securities Exchange (ASX code: RER) (Listed options: REROB)
Website address	www.regalresources.com.au

Half Yearly Activities Report for the reporting period ended 31 December 2010

The Director's of Regal Resources Limited ("Regal" or "the Company") present their half yearly report for the period ended 31 December 2010.

Agreement to acquire highly prospective gold project in the Democratic Republic of Congo

Highlights:

- Regal to acquire (subject to completion of due diligence) 70% interest in the South Kivu Gold Project, which covers a total of 3,650km² and is located in east central Democratic Republic of Congo. Regal has an option to purchase a further 20% interest to go to 90%
- Project in the same geological setting as the Banro and Kilo-Moto gold deposits
- Significant gold target areas identified from previous stream sediment, rock chip and soil sampling and trenching
- Good potential for discovery of continuation of mineralisation from Banro's Namoya and Lugushwa deposits
- Key target areas have not been previously drill tested
- Tenements have significant artisanal tin mining operations potential for alluvial and hard rock tin exploration

South Kivu Project

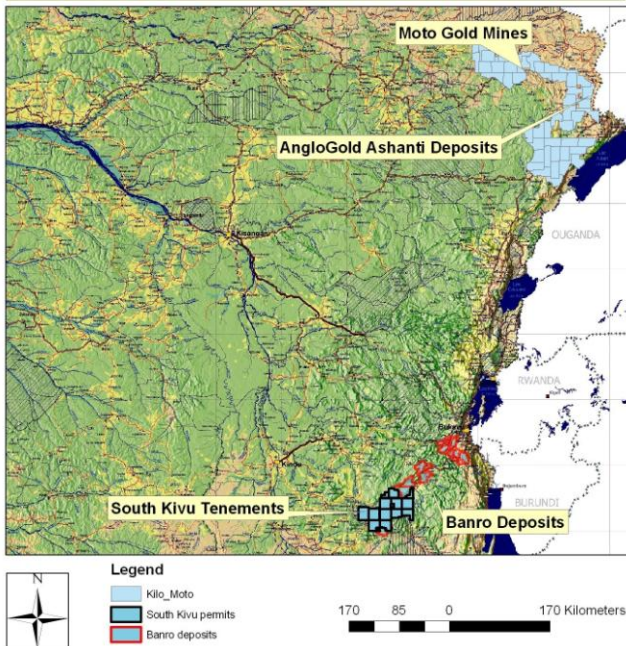
During the reporting period, Regal advised that it had entered into an agreement with Afrimines Resources SPRL ("Afrimines") to acquire a group of 13 tenements which cover 3,650km² of prospective ground in the South Kivu Province, east central Democratic Republic of Congo.

The tenements are located in one of the world's principal Precambrian orogenic-metallogenic provinces, which hosts the Banro Corporation (TSX:BAA) deposits within the "Twangiza – Namoya belt" and the world class gold deposits in the Kilo-Moto belt to the north (held by Randgold Resources and AngloGold Ashanti). Banro's Lugushwa and Namoya deposits border the project area to the north and south respectively. Banro's Lugushwa Project drilling is reported to have intercepted wide zones of gold mineralization which has an Inferred Mineral Resource of 2.7 million ounces and the Namoya Project is reported as hosting 1.124 million oz of Measured & Indicated Resources and 407,700 oz of Inferred Mineral Resources. The same gold bearing structures from both deposits potentially extend onto the project area.

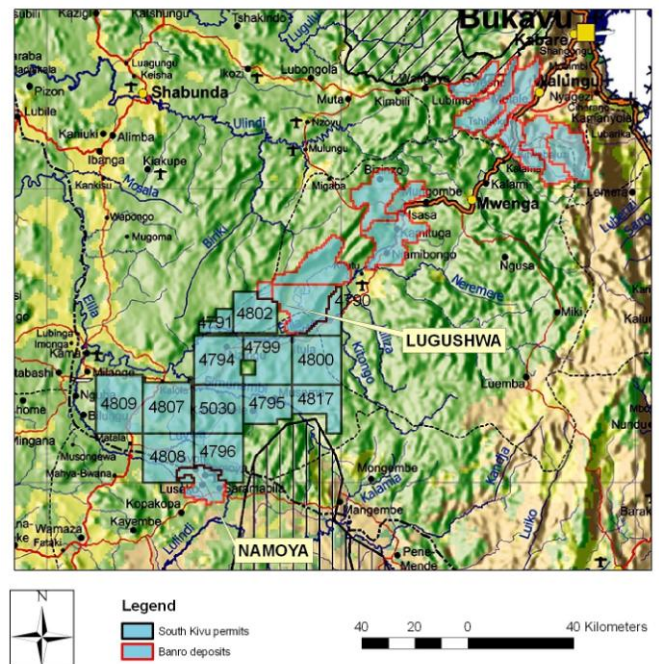
The South Kivu Project area is underlain by highly prospective Ruzizian and Burundian lithologies which have been intruded by granites and pegmatites of various ages. Most of the tin, tungsten and columbite-tantalite deposits of the region are related to these post-tectonic granitic batholiths and stocks, while the gold deposits occur in the synclinoria between the granites. Afrimines recently completed soil sampling programmes over areas of extensive artisanal workings and rock exposures and collected stream sediment samples from remaining areas to give complete coverage of the project area. A total of 13,400 samples are in process of submission for assay with results expected in February 2011. Extensive alluvial workings and less primary workings were identified on all tenements during the regional sampling campaign. Little focus was placed on identifying primary mineralization by small scale miners mainly due to the ease of mining and high recovery grade of alluvial workings.

South Kivu Project (cont)

Locality Map showing Gold Deposits and South Kivu Licenses



South Kivu Project Tenements



The prospectivity of the project is further enhanced by identification of alluvial workings and two northwest-southeast trending quartz veins on the tenement bordering Banro's Namoya deposit to the north. In addition, it is highly likely that mineralized structures which control mineralization at Banro's Lugushwa deposit extend on to the 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.

Agreement Terms

The principal terms of the agreement for the Company to acquire a 70% interest in the South Kivu Gold Project are:

- Agreement is subject to the Company completing a due diligence review to its satisfaction by 31 March 2011;
- On the date of completion of due diligence ("Effective Date"), the Company to pay US\$600,000 and issue 75 million shares;
- Six months after the Effective Date, the Company to pay US\$400,000 and issue shares to the value of US\$750,000 (based on market value of shares at the time of issue);
- The Company shall have the option to acquire a further 20% interest in the tenements at completion of a feasibility study by making a payment of an amount determined by an independent evaluation;
- Regal responsible for all expenditure to completion of a feasibility study; and
- Regal can withdraw from the project at any time with no further obligations.

The vendors (and their associates) are not associated with the Company, its Directors or their associates.

South Kivu Project (cont)

For the introduction of the South Kivu Gold Project, Regal has issued 20 million shares (RER) to Corporate and Resource Consultants Pty Ltd (“CRC”) and/or its nominee. These shares were issued in January 2011. This share issue was not subject to shareholder approval and fell within the Company’s 15% placement capacity under ASX Listing Rule 7.1. Shareholder approval to issue the consideration shares referred to above will be sought at a general meeting to be called in the first quarter of calendar 2011.

On the Effective Date, assuming a decision is made to proceed with the acquisition, Regal is required to issue a further 30 million shares (RER) to CRC and/or its nominee.

CRC will assist Regal on an ongoing basis until completion of the transaction.

Due Diligence Review

Due diligence activities on the South Kivu Gold Project are progressing well and it is anticipated that results from the 13,400 rock chip, soil and stream samples will be available by mid March 2011.

Underground Coal to Liquids (“UCTL”)

Highlights:

- UCTL joint venture company formed
- Joint venture company to proceed with international patent lodgements
- US technology group advising on validation pathway

During the reporting period, Regal announced that in conjunction with Forbes Oil and Gas Pty Ltd (“Forbes”), a new special purpose company had been incorporated, UCTL Pty Ltd which, subject to a number of conditions detailed below, is owned and retained on a 50/50 basis by Regal and Forbes. UCTL Pty Ltd will have 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 restructure of the license agreement is significant for Regal as it enables both parties to work together as joint beneficiaries in developing and commercialising both technologies while also being a direct beneficiary of potential royalty income in the future. 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.

A specialised US chemical engineering and technology consultancy company, C & C Engineering, is in the process of carrying out a detailed review of the UCTL technology. C & C Engineering has significant experience with coal gasification and hydrocarbon process engineering. The study included an extensive literature review of key facets of the UCTL technology and mass and energy balances of the process. The review concluded there is significant merit in continuing to develop the technology. As a result of this review UCTL Pty Ltd intends to commission C & C Engineering to design and conduct laboratory-based proof-of-concept tests on specific aspects of the process, focusing on validating the conversion of coal to liquid hydrocarbons via the use of supercritical water. Upon completion of the tests a decision will be made on further work at the Oak Park piloting facility.

The proposed proof-of-concept test program will comprise phase 1 and phase 2 with Regal having 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.

These two initiatives better position Regal to manage its commitment to UCTL commercialisation, whilst ensuring a significant share of value if the technology proves viable.

Underground Coal to Liquids (“UCTL”) (cont)

As a result of the positive review by C& C Engineering, UCTL Pty Ltd has commenced with instructions to lodge international patents in the following countries:

- Australia
- Canada
- India
- New Zealand
- European Union
- Japan
- United States of America
- China

UCTL Pty Ltd may seek protection in additional countries pending further outcomes of the technology development.

Enhanced Biogenic Methane Ltd

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

EBM holds the exclusive Australian and Northern Ireland licence to the patent pending biogenic methane enhancement (BME) technology granted by the Western Research Institute of Wyoming, USA, who are at the forefront of this technology.

BME involves speeding up the natural biogenic process that produces methane known as coal seam gas. BME works by artificially stimulating the naturally occurring micro-organisms called methanogens that break down the hydrogen and carbon from the coal and emit methane. BME 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 of traditional coal seam gas.

This transaction enables Regal to focus on applying the BME technology at its Oak Park Pilot Site, located within EL 4507 to the west of Melbourne where there is evidence of substantial quantities of brown coal to which the BME technology may have a commercial application. Regal holds 1407km² of tenements in Victoria (EL 4507 and EL 4510) containing approximately 10 billion tonnes of non-JORC brown coal.

During the reporting period, EBM advised it was close to securing regulatory approvals for the proposed pilot at Oak Park. Subsequent to year end, approvals have been received from the Department of Primary Industries, the Environmental Protection Authority and Southern Rural Water.

A work-over of the pilot well, requiring installation of stainless steel screens at the 20 metre thick coal seam, is underway. Design and fabrication for the surface infrastructure has been completed and will be installed once the well work-over is complete.

Current planning is targeting pilot commencement mid March. The pilot will involve the stimulation of microbes within the 20 metre thick coal seam to produce methane gas. The trial will cover three phases to examine specific aspects of the technology, with each phase planned to run for a minimum of 45 days.

Enhanced Biogenic Methane Ltd (cont)

The transaction

Regal's 100% purchase of EBM was from three existing vendors being Transol Corporation Limited ("Transol") (ASX:TNC), Energy Infrastructure and Resources Limited ("EIR") and Mare E Monte Pty Ltd.

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

In addition, Regal also agreed to purchase from EIR (a company associated with two directors of Regal, Mr Gillespie and Mr Cooper) and Mare E Monte Pty Ltd, the remaining 50% of EBM. Shareholder approval was sought and granted at the Annual General Meeting to issue 20 million shares to EIR (14 million) and Mare E Monte Pty Ltd (6 million) as full consideration for the purchase. In accordance with a pre-existing agreement, an entity associated with EIR and Mare E Monte Pty Ltd will jointly retain a 2.5% royalty on well head production from commercial quantities of methane produced from the use of extraction techniques related to BME technology under the terms of the licence.

Corporate

During the reporting period, Regal announced it had entered into an agreement with BGF Equities Pty Ltd to raise up to \$6 million to qualified investors via the placement of 300 million shares ("placement securities") on a best endeavors basis at a price of two cents per share (\$0.02).

The funds raised from this placement will be for the purpose of funding Regal's acquisition of the 70% interest, and exploration activities on, the South Kivu Gold Project in the Democratic Republic of Congo (as described above), pay for the costs of the capital raising and other company activities.

The placement agreement is conditional upon:

1. The successful completion of due diligence and exercise of the option to acquire the 70% interest in the South Kivu Gold Project on or prior to 31 March 2011; and
2. Shareholder approval on the placement securities, expected to be on or around 31 March 2011.

Regal Resources Limited
Directors' report
31 December 2010

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Regal Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2010.

Directors

The following persons were directors of Regal Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Angus Edgar
Rohan Gillespie B Eng (Civil), MBA
Bretton Cooper B Ec (Hons), LLB (Hons)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- identifying and acquiring interests in and value-adding to mineral and mining opportunities in Australia and overseas
- commercialising intellectual property for the application of an Underground Coal to Liquid process ("UCTL") and a hydrocarbon enhancement process ("W10")
- commercialising intellectual property for the application of the Biogenic Methane Enhancement process ("BME")

Details of acquisition

During the half-year Regal Resources Limited ("Regal") acquired 100% of the ordinary shares of Enhanced Biogenic Methane Pty Ltd ("EBM") via the issue of 40 millions shares.

Two of the vendors of EBM, Transol Corporation Limited ("Transol") and Energy Infrastructure Resources ("EIR") are associated with directors of Regal. Mr Edgar is a director and indirect shareholder of Transol and Mr Gillespie and Mr Cooper are directors of EIR.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$275,575 (31 December 2009: \$1,144,436).

The detailed Review of Operations precedes this Directors report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

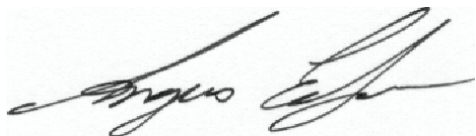
Regal Resources Limited
Directors' report
31 December 2010

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'A Edgar', written over a horizontal line.

A Edgar
Managing Director

15 March 2011
Melbourne



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Regal Resources Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Regal Resources Limited and the entities it controlled during the half year.

J A Mooney
Partner
PKF

15 March 2011
Melbourne

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Regal Resources Limited
Financial report
For the half-year ended 31 December 2010

Contents

	Page
Financial report	
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15
Directors' declaration	21
Independent auditor's review report to the members of Regal Resources Limited	22

General information

The financial report covers Regal Resources Limited as a consolidated entity consisting of Regal Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Regal Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Regal Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 14, 31 Queen Street, Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 15 March 2011. The directors have the power to amend and reissue the financial report.

Regal Resources Limited
Statement of comprehensive income
For the half-year ended 31 December 2010

	Note	Consolidated	
		31/12/10	31/12/09
		\$	\$
Revenue		37,449	50,934
Expenses			
Employee benefits expense		(110,160)	(108,788)
Consulting expense		(228,323)	(171,328)
Exploration costs written off		-	(573,683)
Acquisition costs		(50,000)	-
Intangible write off - UCTL		(400,717)	-
Compliance and regulatory costs		(24,819)	(34,855)
Legal fees		(17,902)	(64,248)
Occupancy expenses		(15,933)	(30,008)
Other expenses		(98,155)	(212,460)
		<u>(908,560)</u>	<u>(1,144,436)</u>
Loss before income tax benefit		(908,560)	(1,144,436)
Income tax benefit		632,967	-
		<u>632,967</u>	<u>-</u>
Loss after income tax benefit for the half-year		(275,593)	(1,144,436)
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(35,000)	508,800
		<u>(35,000)</u>	<u>508,800</u>
Other comprehensive income for the half-year, net of tax		(35,000)	508,800
		<u>(35,000)</u>	<u>508,800</u>
Total comprehensive income for the half-year		<u>(310,593)</u>	<u>(635,636)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(18)	-
Owners of Regal Resources Limited		(275,575)	(1,144,436)
		<u>(275,593)</u>	<u>(1,144,436)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(18)	-
Owners of Regal Resources Limited		(310,575)	(635,636)
		<u>(310,593)</u>	<u>(635,636)</u>
		<u>(310,593)</u>	<u>(635,636)</u>
		Cents	Cents
Basic earnings per share	12	(0.04)	(0.20)
Diluted earnings per share	12	(0.04)	(0.20)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Regal Resources Limited
Statement of financial position
As at 31 December 2010

		Consolidated	
	Note	31/12/10	30/06/10
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,346,494	2,491,220
Trade and other receivables	3	916,629	399,304
Other		24,235	26,134
Total current assets		<u>2,287,358</u>	<u>2,916,658</u>
Non-current assets			
Receivables		1,998	1,998
Available-for-sale financial assets		451,600	381,600
Property, plant and equipment		1,295	-
Intangibles		645,780	-
Exploration and evaluation		12,907,612	12,906,709
Total non-current assets		<u>14,008,285</u>	<u>13,290,307</u>
Total assets		<u>16,295,643</u>	<u>16,206,965</u>
Liabilities			
Current liabilities			
Trade and other payables		136,457	418,946
Total current liabilities		<u>136,457</u>	<u>418,946</u>
Non-current liabilities			
Borrowings		44,674	-
Total non-current liabilities		<u>44,674</u>	<u>-</u>
Total liabilities		<u>181,131</u>	<u>418,946</u>
Net assets		<u>16,114,512</u>	<u>15,788,019</u>
Equity			
Contributed equity		28,552,313	27,915,428
Reserves		6,882,957	6,917,957
Accumulated losses		(19,320,941)	(19,045,366)
Equity attributable to the owners of Regal Resources Limited		<u>16,114,329</u>	<u>15,788,019</u>
Non-controlling interest		183	-
Total equity		<u>16,114,512</u>	<u>15,788,019</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Regal Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2010

	Contributed equity	Asset revaluation reserve	Options premium reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2009	25,506,390	249,130	6,232,074	(7,752,812)	-	24,234,782
Other comprehensive income for the half-year, net of tax	-	508,800	-	-	-	508,800
Loss after income tax benefit for the half-year	-	-	-	(1,144,436)	-	(1,144,436)
Total comprehensive income for the half-year	-	508,800	-	(1,144,436)	-	(635,636)
<i>Transactions with owners in their capacity as owners:</i>						
Options issued	-	-	208,730	-	-	208,730
Balance at 31 December 2009	<u>25,506,390</u>	<u>757,930</u>	<u>6,440,804</u>	<u>(8,897,248)</u>	<u>-</u>	<u>23,807,876</u>
	Contributed equity	Asset revaluation reserve	Options premium reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2010	27,915,428	121,050	6,796,907	(19,045,366)	-	15,788,019
Other comprehensive income for the half-year, net of tax	-	(35,000)	-	-	-	(35,000)
Loss after income tax benefit for the half-year	-	-	-	(275,575)	(18)	(275,593)
Total comprehensive income for the half-year	-	(35,000)	-	(275,575)	(18)	(310,593)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	436,885	-	-	-	-	436,885
Share-based payments	200,000	-	-	-	-	200,000
Recognition of non-controlling interest at acquisition date	-	-	-	-	201	201
Balance at 31 December 2010	<u>28,552,313</u>	<u>86,050</u>	<u>6,796,907</u>	<u>(19,320,941)</u>	<u>183</u>	<u>16,114,512</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Regal Resources Limited
Statement of cash flows
For the half-year ended 31 December 2010

Note	Consolidated	
	31/12/10	31/12/09
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(1,190,610)	(560,425)
Interest received	37,449	50,934
Research and development tax grant	-	135,237
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(1,153,161)</u>	<u>(374,254)</u>
Cash flows from investing activities		
Payments for investments	(105,000)	-
Payments for property, plant and equipment	(1,295)	-
Payments for intangibles		(1,615,580)
Payments for exploration and evaluation	(903)	(87,441)
Payments for acquisitions	(50,000)	-
Proceeds from sale of tenements	-	10,000
Cash acquired from subsidiary	165,633	-
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	<u>8,435</u>	<u>(1,693,021)</u>
Cash flows from financing activities		
	<u> </u>	<u> </u>
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,144,726)	(2,067,275)
Cash and cash equivalents at the beginning of the financial half-year	<u>2,491,220</u>	<u>3,976,639</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,346,494</u></u>	<u><u>1,909,364</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Regal Resources Limited
Notes to the financial statements
31 December 2010

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into 3 operating segments: Gold exploration, UCTL/W10 Technology and BME Technology. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on at least a monthly basis.

Regal Resources Limited
Notes to the financial statements
31 December 2010

Note 2. Operating segments (continued)

Operating segment information

	Gold exploration	UCTL/W10 technology	BME technology	Intersegment eliminations/unallocated	Consolidated
	\$	\$	\$	\$	\$
31/12/10					
Revenue					
Other income	1,293	1,244	534	34,378	37,449
Total revenue	1,293	1,244	534	34,378	37,449
Segment result					
Impairment of assets	(1,937)	(4,567)	(318,213)	(134,419)	(459,136)
Interest revenue	-	(400,717)	-	-	(400,717)
Acquisition costs	1,293	-	-	-	1,293
	-	-	-	(50,000)	(50,000)
Loss before income tax benefit	(644)	(405,284)	(318,213)	(184,419)	(908,560)
Income tax benefit					632,967
Loss after income tax benefit					(275,593)
Assets					
Segment assets	2,398,712	10,941,867	846,210	2,108,854	16,295,643
Total assets					16,295,643
Liabilities					
Segment liabilities	-	-	-	181,131	181,131
Total liabilities					181,131
31/12/09					
Revenue					
Other income	-	-	-	50,934	50,934
Total revenue	-	-	-	50,934	50,934
Loss before income tax expense					
	(576,093)	(1,003)		(567,340)	(1,144,436)
Income tax expense					-
Loss after income tax expense					(1,144,436)
30/06/10					
Assets					
Segment assets	2,437,913	10,468,796		383,598	13,290,307
Total assets					13,290,307
Liabilities					
Segment liabilities	-	-		418,946	418,946
Total liabilities					418,946

Regal Resources Limited
Notes to the financial statements
31 December 2010

Note 3. Current assets - trade and other receivables

	Consolidated	
	31/12/10	30/06/10
	\$	\$
Trade receivables	241,747	285,131
Interest receivable	1,685	1,165
Income tax refund due	632,967	-
GST receivable	40,230	113,008
	<u>916,629</u>	<u>399,304</u>

Note 4. Income tax benefit

The income tax benefit in the Statement of comprehensive income relates to the Research and Development tax concession claim that was subsequently received mid January 2011.

Note 5. Equity - dividends

There were no dividends paid during the current or previous financial half-year.

Note 6. Contingent liabilities

Contingent liabilities have not materially changed from those disclosed in the Annual Report of 30 June 2010.

Note 7. Commitments for expenditure

As per the acquisition agreement, Regal has assumed the commitment to EBM to advance up to \$500,000 for EBM to fund the development of the BME technology.

Other than the above, commitments for expenditure have not materially changed from those disclosed in the Annual Report of 30 June 2010.

Regal Resources Limited
Notes to the financial statements
31 December 2010

Note 8. Business combinations

On 23 November 2010 Regal Resources Limited ("Regal") acquired 100% of the ordinary shares of Enhanced Biogenic Methane Pty Ltd ("EBM") via the issue of 40 million shares which was approved by shareholders of Regal at the 2010 AGM. EBM has secured the exclusive licence for biogenic methane technology ("BME") for Australia and Northern Ireland. The purchase consideration and the premium paid for net assets of EBM above book value have been allocated to the fair value of the technology licence as an intangible asset.

Two of the vendors of EBM, Transol Corporation Limited ("Transol") and Energy Infrastructure Resources ("EIR") are associated with directors of Regal. Mr Edgar is a director and indirect shareholder of Transol and Mr Gillespie and Mr Cooper are directors of EIR.

As per the terms of the agreement, Regal has assumed the commitment to advance EBM up to \$500,000 to fund the development of the BME technology.

Details of the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	\$	\$
Cash equivalents	165,633	165,633
Trade receivables	8,161	8,161
Plant and equipment	1,295	1,295
Intellectual property	-	645,780
Trade payables	(86,195)	(86,195)
Other payables	(44,674)	(44,674)
Loans	<u>(250,000)</u>	<u>(250,000)</u>
Net assets/(liabilities) acquired	<u>(205,780)</u>	440,000
Goodwill		<u>-</u>
Acquisition-date fair value of the total consideration transferred		<u><u>440,000</u></u>
Representing:		
Regal Resources Limited shares issued to vendor		<u><u>440,000</u></u>

Regal Resources Limited
Notes to the financial statements
31 December 2010

Note 9. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		31/12/10 %	30/06/10 %
Western Victoria Energy Pty	Australia	100.00	100.00
Magma Oil Pty Ltd	Australia	100.00	100.00
MOL Gippsland Pty Ltd	Australia	100.00	100.00
Enhanced Biogenic Methane Pty Ltd *	Australia	100.00	-
Euro Energy Pty Ltd **	Australia	70.00	-

* Acquired on 23 November 2010

** Acquired on 23 November 2010 and 70% owned by Enhanced Biogenic Methane Pty Ltd

Note 10. Interests in joint ventures

Regal has entered into an agreement with Afrimines Resources SPRL ("Afrimines") to acquire a group of 13 tenements in the South Kivu Province in the east central area of the Democratic Republic of Congo. Regal has commenced due diligence on acquisition of a 70% interest in the South Kivu Gold Project. Regal will also have the option to purchase a further 20% of the interest up to 90%. Due diligence is due to be completed by 31 March 2011 when the terms of the Agreement will commence.

Note 11. Events occurring after the reporting date

On 11 January 2011, the Company signed an SPV ('Special Purpose Vehicle') Terms Sheet with Forbes Oil and Gas Pty Ltd ('FOG') for the establishment and operation of a new company which will hold all the rights and interest in respect of UCTL and W10 technology which is under licence from FOG. UCTL Pty Ltd was incorporated for that purpose, and interest in that company is held 50% by Regal and 50% by FOG.

On 21 February 2011 Regal entered into an agreement with BGF Equities Pty Ltd for a placement of 300 million shares to qualified investors, on a best endeavours basis at a price of two cents per share (\$0.02).

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Regal Resources Limited
Notes to the financial statements
31 December 2010

Note 12. Earnings per share

	Consolidated	
	31/12/10	31/12/09
	\$	\$
Loss after income tax	(275,593)	(1,144,436)
Non-controlling interest	18	-
	<u>(275,575)</u>	<u>(1,144,436)</u>
Loss after income tax attributable to the owners of Regal Resources Limited	<u>(275,575)</u>	<u>(1,144,436)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>648,604,777</u>	<u>572,218,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>648,604,777</u>	<u>572,218,000</u>
	Cents	Cents
Basic earnings per share	(0.040)	(0.200)
Diluted earnings per share	(0.040)	(0.200)

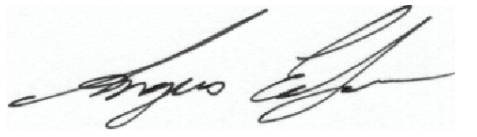
Regal Resources Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



A Edgar
Managing Director

15 March 2011
Melbourne

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

Chartered Accountants
& Business Advisers

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Regal Resources Limited which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Regal Resources Limited ("the company") and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Regal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PKF

15 March 2011
Melbourne

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J A Mooney
Partner

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