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Real Progress



BILLION TONNE
COAL RESOURCE

Waterberg Coalfield

REPUBLIC OF
SOUTH AFRICA



Real Assets

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2009

Timeline to production



603
MILLION TONNE
PROBABLE RESERVE

Annual general meeting

The annual general meeting will be held at 10:00am on Wednesday, 27 October 2010 at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney.

Operations Review

During the year to June 2010, Resource Generation passed major milestones in our plan to develop a massive open-cut mine on one of South Africa's largest remaining coal deposits.

This plan began in mid-2008, when Resource Generation's current management team was approached to evaluate three coal tenements totalling 3,160 hectares in South Africa's Waterberg region. A Perth-based company, Comdek Limited, had an opportunity to purchase a significant interest in the tenements and, following detailed investigation of their potential, our team agreed to invest in, and take over management of, Comdek.

In August 2008, Comdek raised \$12 million to fund further exploration at Waterberg, and the next month the company's name was changed to Resource Generation to reflect its new focus on energy-related resources.

We opened a regional office, appointing a South African general manager with 25 years' experience of developing and managing coal mining operations, and commenced the first of several exploration programs on our main tenement. This confirmed our expectations, showing

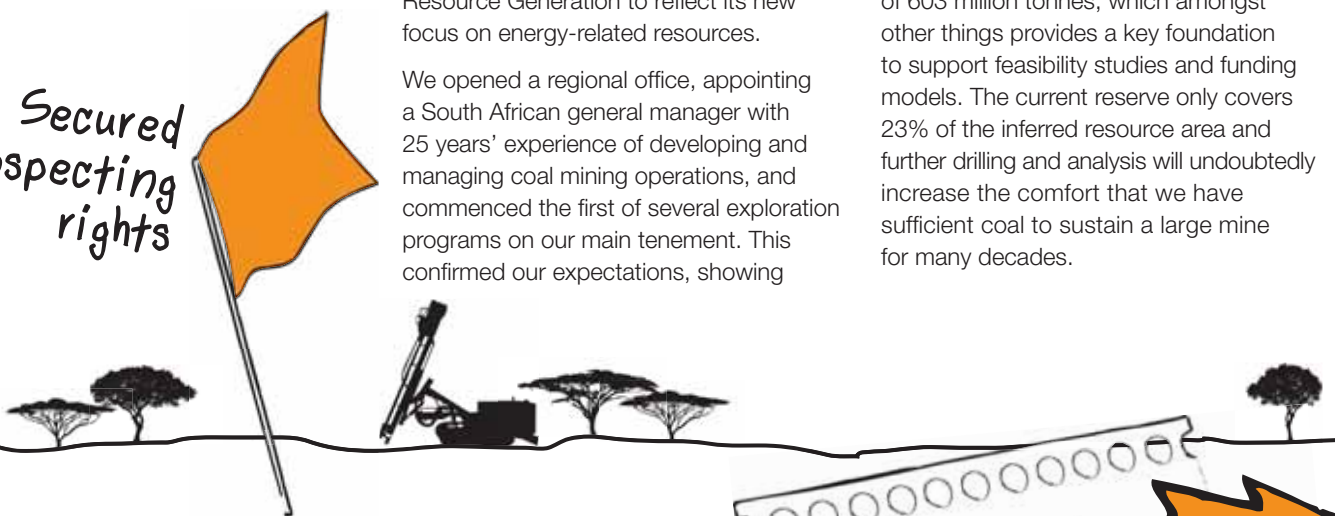
a coal seam 120 metres thick only 20 metres below the surface and provided an initial JORC-compliant inferred resource of 2.0 billion tonnes* comprising both thermal and semi-soft coking coal. With this validation of the tenement's potential, in December 2008 we purchased a majority interest in the adjoining tenement, consisting of seven properties covering 9,000 hectares.

Subsequent drilling of this tenement proved that the coal seam was contiguous in both seam thickness and depth of cover and of consistent quality, resulting in a resource of 4.0 billion tonnes*. The total resource for both areas was therefore 6.0 billion tonnes*.

In-fill drilling, combined with a mining schedule for two pits to support a 20 year mine plan, resulted in our ability to delineate a probable reserve of 603 million tonnes, which amongst other things provides a key foundation to support feasibility studies and funding models. The current reserve only covers 23% of the inferred resource area and further drilling and analysis will undoubtedly increase the comfort that we have sufficient coal to sustain a large mine for many decades.

Resource Generation is on schedule to start production at its Boikarabelo coal mine in 2013.

Secured prospecting rights



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Operations Review

Preparing a pre-feasibility study

We appointed a team of specialist consultants to plan the mine and its infrastructure and logistics. During 2009, we considered every detail of the mine's construction and operation. We planned how we would extract the coal; the equipment we would need; where the coal handling and preparation plant would be sited; how we would source water and power; how the coal would be transported to domestic customers and to ports for export; who our customers would be; and many other aspects. The aim was to produce a pre-feasibility study incorporating comprehensive development and business plans that demonstrated the mine's commercial potential and justified further investment.

In addition, our BEE (black economic empowerment) partners applied to the South African Department of Mineral Resources to enable us to increase our shareholding in the joint venture that controlled the initial tenements, as we were entitled to do after meeting minimum investment conditions.

In July 2009, Resource Generation raised a further \$30 million through an underwritten rights issue at 40 cents; the proceeds were to fund the acquisition of properties where we planned to operate the mine and build infrastructure including the washery, stockpiles and transport facilities. Importantly, soon afterwards the Department of Mineral Resources approved the increase of our ownership in the original joint venture to 70%, overcoming a hurdle that is often considered a sovereign risk when investing in South Africa. We also purchased five properties totalling 5,625 hectares.

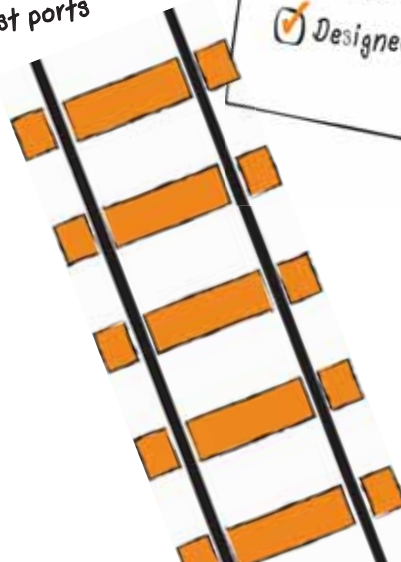
The pre-feasibility study was completed in November 2009, anticipating development in two stages. The first stage, for five years from January 2013, was planned to yield 3 million tonnes of export coal and at least 3 million tonnes of domestic coal per annum. The second stage, dependent on securing offtake contracts, would increase production to 40 million ROM tonnes per annum. The study incorporated construction and operational plans, capital expenditure and cost budgets, and a cash flow forecast;

2010



Timeline to production

Proposed 45km link to existing rail system provides access to domestic markets and east coast ports



it demonstrated the commercial viability of the mine, encouraging the company's board to proceed with the project and develop a more detailed business plan to facilitate obtaining project finance.

Naming the mine Boikarabelo

With the mine beginning to become a reality, we agreed with our South African joint venture partners to name the combined tenements Boikarabelo. In the local Sesotho language, this means 'to be responsible', and we resolved to act responsibly to all our stakeholders – employees, local communities, suppliers, BEE partners, shareholders and financiers, and the South African government – throughout the development and subsequent operation of the mine.

Lodging the mining right application

With the pre-feasibility study complete and growing certainty about the scale of the resource, in February 2010 we took the major step of lodging our mining rights application with the Department of Mineral

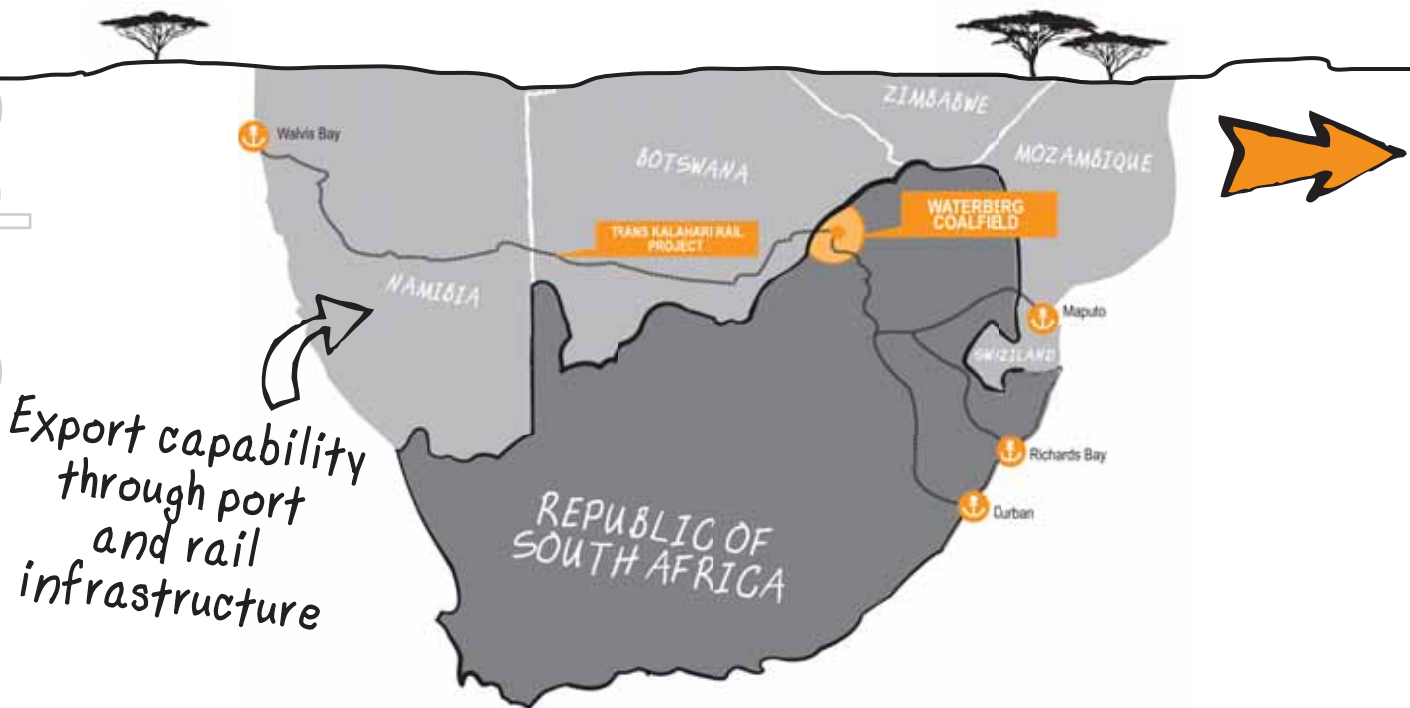
Resources. This included a wide range of documentation, including social, labour and environmental impact plans. At the same time we agreed to buy an additional 2,771 hectares of land covering a significant portion of the resource, bringing the company's landholdings to 8,397 hectares.

A month later, in March, we announced our intention to apply for a secondary listing of Resource Generation shares on the Johannesburg Stock Exchange. The aim was to increase awareness of the project in the South African business community and open up additional sources of finance for the mine's development.

During this period, we were refining the assumptions in the pre-feasibility study and identified opportunities to reduce capital and operating costs, resulting in positive cash flow and earnings from the first year of production. We also negotiated the purchase of a 1,273 hectare property that formed a keystone between Resource Generation's other landholdings and had the potential to reduce start-up costs for the mine.

2009/10 was the year when Boikarabelo began to become a reality, progressing from a prospect to a concrete plan.

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Operations Review

In June 2010, the Department of Mineral Resources approved an increase in Resource Generation's shareholding in the second joint venture to 74%, demonstrating again the transparency of the process and mitigating perceived sovereign risk.

Listing on the Johannesburg Stock Exchange

Resource Generation shares were listed on the Johannesburg Stock Exchange on 14 July 2010. The listing was sponsored by Deloitte & Touche Sponsor Services, and as part of the process a 275-page pre-listing statement was produced, providing a comprehensive overview of the company based on detailed due diligence. The document is available on Resource Generation's website at resgen.com.au/investors/jse-pre-listing-statement.

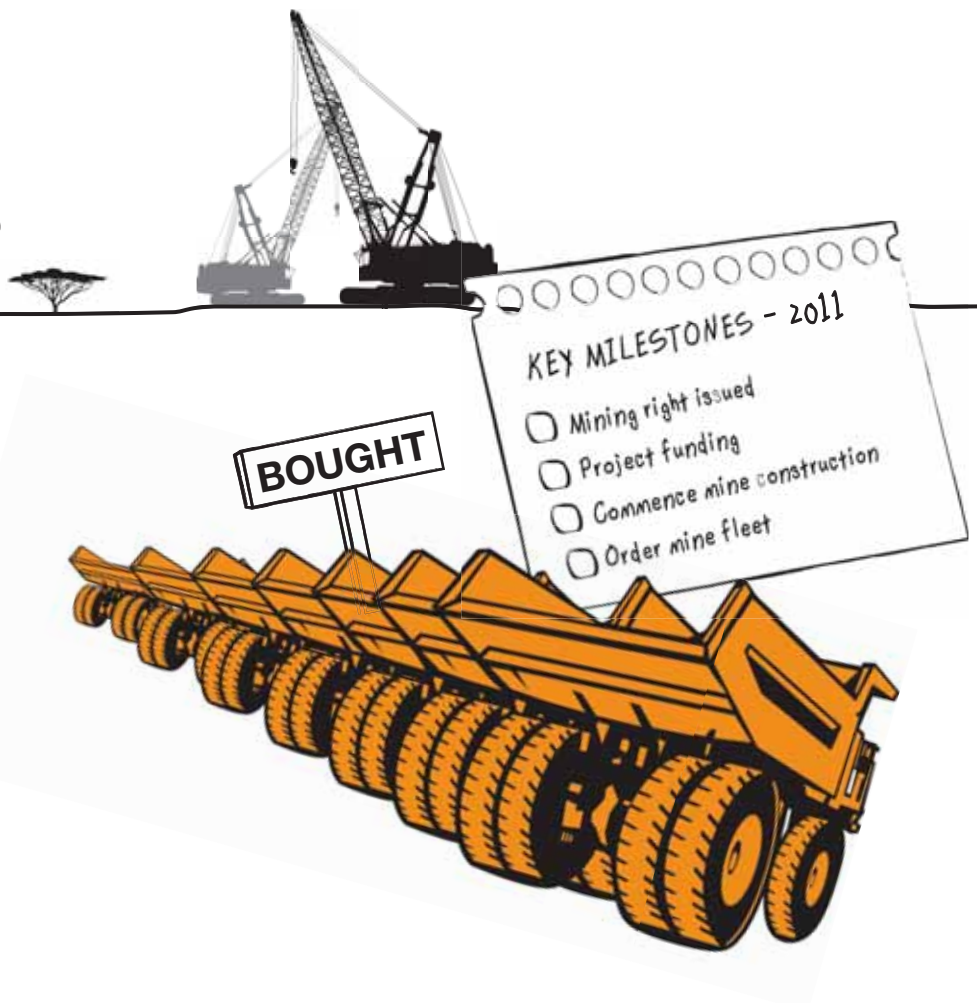
To provide initial liquidity in Resource Generation's shares on the Johannesburg Stock Exchange, five million shares were issued to a trust, with a wholly-owned subsidiary of the company as trustee. This facility will remain in place until there is a sufficient spread of shareholders on the South African register, when arrangements will be made to unwind the trust in the interests of all shareholders.

First coal off-take contract

In September 2010, Resource Generation signed its first off-take contract, for a total of 37 million tonnes of thermal coal over 20 years. This contract, with Integrated Coal Mining on behalf of India's third largest power utility CESC, represents a vote of confidence in Boikarabelo's potential and positions our company to sell increasing quantities of coal as CESC's generating capacity grows. Integrated Coal Mining has also acquired a 10% shareholding in Resource Generation.

Timeline to production

2011



Increasing the momentum

In two years, Resource Generation's Boikarabelo mine has been transformed from a prospect, which some people doubted would be completed, to a fully-developed bankable business plan. Progress is continuing with our mining rights application, and public consultation on the environmental management plan is under way, after which formal submissions will be made to other government departments.

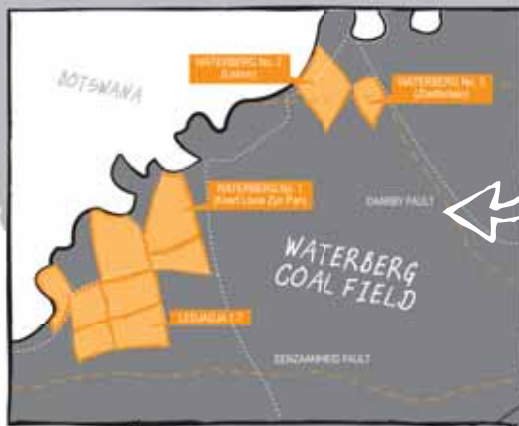
A banking information memorandum is being prepared, with the aim of obtaining funding for the first stage of the mine's development by the time mining rights are granted, which is expected to be in mid-2011. This start-up funding, based on stage one capital expenditure of \$452 million, is likely to consist of 60% project debt and 40% equity.

Meanwhile, we have signed our first coal off-take contract and discussions have started with other potential customers in both South Africa and export markets. Coal is the major source of energy in South Africa and the national power utility, Eskom, is forecasting growing demand and the need for new power stations and coal supplies. International demand for coal, is increasing, and our contract with India's Integrated Coal Mining demonstrates the potential for significant export sales.

Discussions are also taking place with Transnet regarding access to its rail network to provide transport to east coast ports; pending possible construction of a branch line, initial production will be transported 45 kilometres to an existing rail line. The practicality of constructing a rail link to the Namibian port of Walvis Bay is also being investigated (The Trans - Kalahari Project).

Boikarabelo has the potential to become a large, profitable coal mine with reserves to sustain production for many decades.

2012



Operations Review

A lot has been achieved in these past two years and, while much remains to be done, many project risks have been reduced or removed. During the coming year our initial focus will be on obtaining a mining right and securing project funding to begin mine construction and order the mine fleet. Momentum will increase as we approach our target production date of January 2013 – less than 30 months away.

Our confidence that we will meet this date is based on the track record of our team. Resource Generation's management has extensive experience of developing and operating successful open-cut and underground coal mines and has demonstrated its capabilities with the substantial progress that has been made towards bringing Boikarabelo to reality.

Tasmania

Resource Generation also has tenements in the Woodbury, Jericho and Latrobe areas of Tasmania. Exploration drilling on the Woodbury tenement, where there is known mineralisation, began in June 2010. The program, which consists of 24 holes,

with 12 fully cored, is expected to take ten weeks and will be followed by laboratory analysis of the samples.

Depending on the results, we will evaluate the potential for an open-cut mine producing thermal coal for the export market.

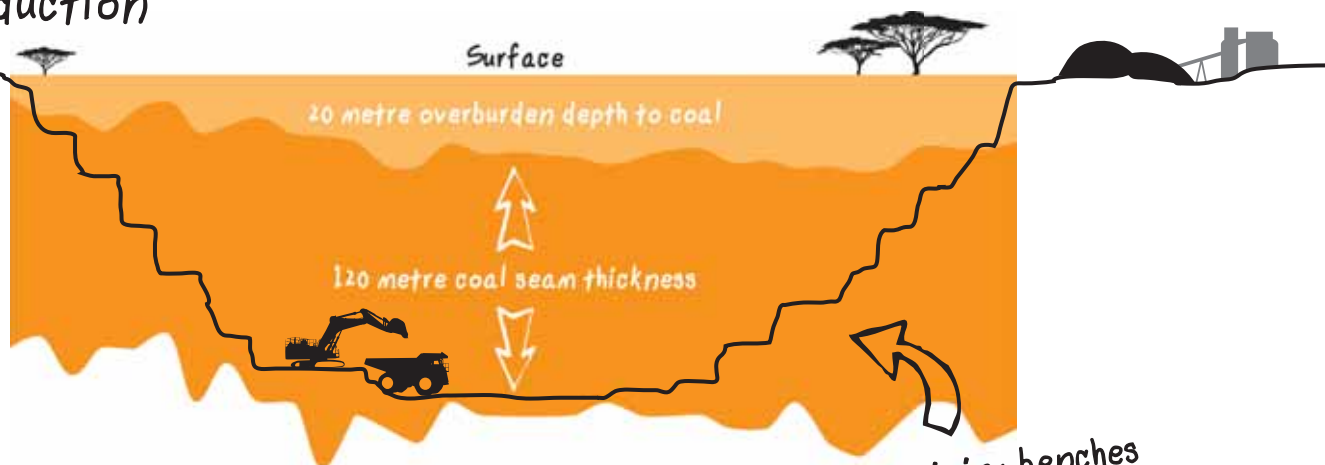
Cameroon

The company has three tenements in Cameroon which, according to available data, may contain sandstone-style uranium deposits. There were no activities during the year.

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

2013

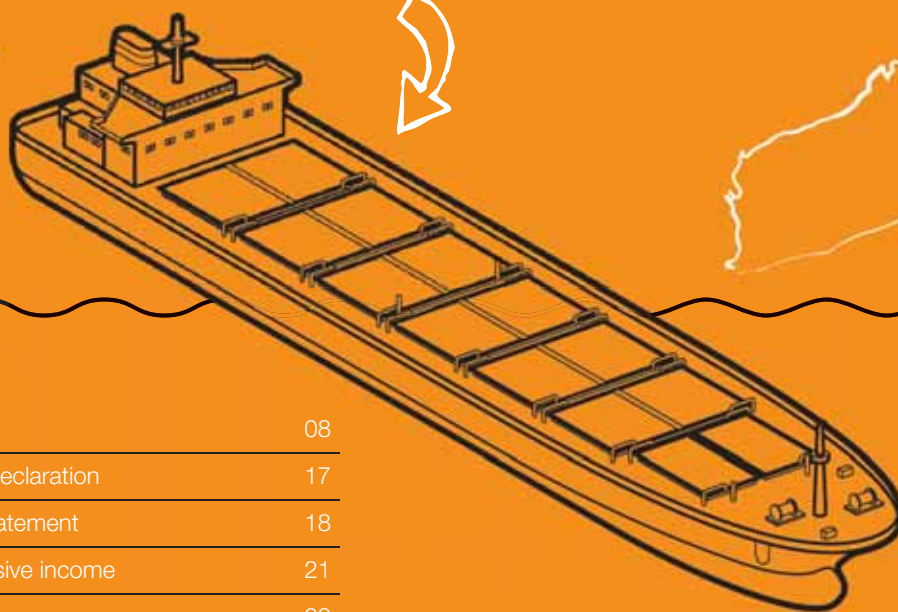
Coal production



Multiple mining benches creates flexibility for selective mining

Financial Report for 30 June 2010

*Boikarabelo mine has
a probable reserve
equivalent to 5,000 Capesize
ships worth of coal*



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The financial report covers Resource Generation Limited comprising the consolidated entity and its subsidiaries. The financial report is presented in Australian dollars.

Resource Generation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 12, Chifley Tower, 2 Chifley Square, Sydney NSW 2000

The financial report was authorised for issue by the Directors on 19 August 2010. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at a minimum cost. All media releases, quarterly production reports, financial reports and other information is available at our Investor page on our website: www.resgen.com.au

Directors' report

30 June 2010



Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors

The following persons were directors of Resource Generation Limited during the whole of the financial year and up to the date of this report:

S R W Douglas (Chairman)
P J Jury (Managing Director)
S J Matthews (Executive Director)
G Rose (Non-executive Director)

Principal activities

During the year the principal continuing activities of the Group consisted of the exploration and development of coal resources in South Africa and Tasmania and monitoring of its Cameroon uranium deposits.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in this annual report.

Significant changes in the state of affairs

A number of significant corporate events occurred in the year under review:

Rights Issue

On 23 June 2009, the Company announced a fully underwritten 1:1 non renounceable rights issue. The rights issue raised \$30.828 million cash before costs. The rights issue was successfully completed in July 2009.

Boikarabelo Project

The Company completed extensive drilling and analysis which resulted in resource upgrades for its coal tenements at Waterberg and Ledjadja in South Africa. The combined tenements, known as the Boikarabelo Project, include 603.3 million tonnes of probable reserves, 569.5 million tonnes of indicated resource and an inferred resource of 1.735 billion tonnes.

A pre-feasibility study completed in November 2009 confirmed the significant potential of the Boikarabelo Project. The mining rights application was lodged in February 2010, with a target of mid 2011 for the granting of the right.

Land acquisition

The Company has successfully acquired significant land holdings in the Boikarabelo Project region. The acquisitions provide key land for the site of the mine and major infrastructure. The Company acquired 7 parcels of land, totalling 9,670 hectares for approximately \$22.710 million.

Tasmania

In June 2010 the Company commenced exploration drilling for thermal coal on its Woodbury tenement in Tasmania. Coal intersections have been made but results have yet to be correlated.

Cameroon

There has been no activity on the Company's uranium tenements in Cameroon.

Dividends

No dividends were paid or proposed to be paid to members during the financial year.

Review and results of operations

The operating loss for the year for the company was \$3.280 million.

Matters subsequent to the end of financial year

The Company completed its secondary listing on the Johannesburg Stock Exchange (JSE) on 14 July 2010. The secondary listing is a further step in the development of the Boikarabelo Project providing South African investors easier access to participate in the project.

The Company has spent in excess of ZAR 20.000 million on the development of the Ledjadja Coal (Pty) Limited joint venture and has received Section 11 approval from the Department of Mineral Resources which entitles it to increase its ownership from 49% to 74%. The shares to reflect the initial entitlement to increase the shareholding to 65% will be issued in the September 2010 quarter.

There were no other matters subsequent to the end of the financial year that has significantly affected or may significantly affect:

- (i) the group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the group's state of affairs in future financial years.

Directors' report (cont.)

30 June 2010

Likely developments and expected results of operations

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's directors and management are committed to continual improvement in the environmental management of the Group's operations and to develop effective community and stakeholder relationships.

The Group is aware of its environmental regulations and seeks to comply with them in all relevant jurisdictions. There have been no environmental incidents throughout the year.

Information on directors

Scott Robert William Douglas

Non-executive Chairman, age 35.

Experience and expertise

Mr Douglas has considerable experience and skills in investor relations, project management, and strategic corporate advice. Mr Douglas has provided corporate advice, business development and capital raising services to a number of junior resource companies and was instrumental in the formation and ASX listing of Ironclad Mining Limited and held a business development and marketing role with Scimitar Resources Limited.

Other current directorships

Nil.

Interests in shares and options

506,576 ordinary shares in Resource Generation Limited
250,000 25¢ options to acquire ordinary shares in Resource Generation Limited
250,000 50¢ options to acquire ordinary shares in Resource Generation Limited
250,000 60¢ options to acquire ordinary shares in Resource Generation Limited
250,000 70¢ options to acquire ordinary shares in Resource Generation Limited
250,000 \$1.55 options to acquire ordinary shares in Resource Generation Limited
250,000 \$1.85 options to acquire ordinary shares in Resource Generation Limited
500,000 \$2.05 options to acquire ordinary shares in Resource Generation Limited

Former directorships in the last 3 years

Executive director of Clean Global Energy Limited (formerly International Resource Holdings Limited) – resigned 9 October 2009.

Special responsibilities

Chairman of the Board
Chairman of the Audit & Risk Committee
Chairman of the Remuneration Committee

Paul John Jury, BComm, CA, FFin, ACIS, FTIA

Managing Director, age 53.

Experience and expertise

Mr Jury has over 30 years experience in managing businesses, the last 25 being in the coal sector. Mr Jury's positions have included Chief Financial Officer of Coal and Allied Industries Limited, Finance Director of Coal Mines Australia Limited, Executive Chairman of Oceanic Coal Australia Limited and Managing Director of Resource Pacific Holdings Limited.

Interests in shares and options

11,876,349 ordinary shares in Resource Generation Limited
6,666,666 share rights to acquire ordinary shares in Resource Generation Limited.

Former directorships in the last 3 years

Executive director of Resource Pacific Holdings Limited (resigned 19 February 2008).

Special responsibilities

Managing Director

Stephen James Matthews, BSc (Hons), ACA, FFin

Executive Director and Company Secretary, age 53.

Experience and expertise

Mr Matthews has over 25 years corporate finance and commercial experience, including 13 years in the coal industry. Mr Matthews' previous positions were as a senior executive with Coal Mines Australia Limited, Billiton Coal Australia, BHP Billiton's Hunter Valley Energy Coal division and Resource Pacific Holdings Limited.

Interests in shares and options

1,974,468 ordinary shares in Resource Generation Limited
3,333,334 share rights to acquire ordinary shares in Resource Generation Limited

Former directorships in the last 3 years

None.

Special responsibilities

Company Secretary and Finance Director

Directors' report (cont.)

30 June 2010



Geoffrey (Toby) Rose AO, BSc

Non-executive director, age 75.

Experience and expertise

Mr Rose is a geologist with more than 45 years experience in the NSW coal and minerals industry. He was awarded the Order of Australia for contributions to mining and minerals research. For 10 years until 1992 Toby was Director General of the New South Wales Department of Mineral Resources and Chair of the Mines Subsidence Board. Subsequent directorships include non-executive roles with Coal Mines Australia Limited, Billiton Coal Australia and Resource Pacific Holdings Limited.

Interests in shares and options

8,000 ordinary shares in Resource Generation Limited.

Former directorships in the last 3 years

Director of Resource Pacific Holdings Limited
(resigned 19 February 2008)

Special responsibilities

Member of the Audit & Risk Committee
Member of the Remuneration Committee

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2010, and the number of meetings attended by each director were:

MEETINGS OF COMMITTEES

	Full meetings of directors		Audit and risk		Remuneration	
	A	B	A	B	A	B
Scott Douglas	13	13	2	2	2	2
Paul Jury	13	13	*	*	*	*
Stephen Matthews	13	13	*	*	*	*
Geoffrey (Toby) Rose	13	13	2	2	2	2

A= Number of meetings held during the time the director held office during the year

B= Number of meetings attended

* = Not a member of the relevant committee

Remuneration report

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements.

The remuneration report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration;
2. Details of remuneration;
3. Service agreements;
4. Share-based compensation; and
5. Additional information.

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*.

1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategy objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that the executive reward satisfies the following key criteria for good reward governance practices:

- a) Competitiveness and reasonableness;
- b) Acceptability to shareholders;
- c) Performance linkage/alignment of executive compensation;
- d) Transparency; and
- e) Capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

Alignment to shareholders' interests:

- a) focuses on sustained growth in shareholder wealth; and
- b) attracts and retains high calibre executives.

Alignment to program participants' interests:

- a) rewards capability and experience; and
- b) provides a clear structure for earning rewards.

The board has established a Remuneration Committee which makes recommendations to the board on remuneration and incentive policies and practices and other terms of employment for executive and non-executive directors and other senior executives. The Corporate Governance Statement provides further information on the role of the committee.

Executive directors

Fees and payments to executive directors reflect the demands which are made on, and the responsibilities of, the directors. Executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Board also ensures that executive directors' fees and payments are appropriate and in line with the market. Executive directors do receive security based payments as part of their compensation package, as disclosed below.

Retirement allowances and benefits for directors

There are no retirement allowances or other benefits paid to directors.

Directors' fees

The amount of remuneration of the directors of Resource Generation Limited (as defined in AASB 124 *Related Party Disclosures*) is set out in the following table. There was no remuneration of any type to the directors, other than as reported below, for the provision of management services.

Short-term incentives

Short-term incentives (STI) are offered on a competitive basis considering a total remuneration package benchmarked against relevant industry groups and having regard for the specific circumstances of the Group. The components of each executive's total remuneration package is weighted in accordance with their role and responsibilities.

The Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Remuneration Committee.

Directors' report (cont.)

30 June 2010



Long-term incentive plan

The long-term incentive plan (LTIP), known as the Deferred Share Plan, was approved by shareholders at the November 2008 Annual General Meeting. Options are granted under the LTIP to employees eligible to participate in the plan i.e. those at an Executive level (including the Managing Director). The Company will seek shareholder approval at an Annual General Meeting prior to any options being issued to the Managing Director and the Finance Director.

Options are granted under the Plan for no consideration. Options vest over periods ranging from one to three years with both market and non-market based performance hurdles determined by the executive's role and responsibilities.

Each year, the Remuneration Committee considers whether senior executives should be awarded options under the LTIP and considers the appropriate targets and key performance indicators to determine what hurdles are appropriate for vesting to occur.

2 Details of remuneration

Details of the nature and amount of each element of the emoluments of directors and key management personnel of Resource Generation Limited and the Resource Generation Limited Group are set out in the following tables.

The key management personnel of the Group includes the directors as set out on page 1 and the following executive officers, who are also the highest paid executives of the Group:

- Hennie van den Aardweg – General Manager Operations South Africa
- Michelene Collopy – Chief Financial Officer

2010

	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	TOTAL	
	Cash salary or fees \$	Super- annuation \$	Performance shares \$	\$	% Share based payment
Non-executive directors					
(i) Scott Douglas	100,000	–	–	100,000	–
Geoffrey (Toby) Rose	12,500	37,500	–	50,000	–
Sub-total non-executive directors	112,500	37,500	–	150,000	
Executive directors					
Paul Jury	350,000	50,000	1,748,505	2,148,505	81%
Stephen Matthews	250,000	50,000	874,252	1,174,252	74%
Sub-total executive directors	600,000	100,000	2,622,757	3,322,757	
Other key management					
Hennie van den Aardweg	292,992	24,932	340,764	658,688	52%
Michelene Collopy	70,625	–	612	71,237	1%
Sub-total key management	363,617	24,932	341,376	729,925	
Totals	1,076,117	162,432	2,964,133	4,202,682	

The fees paid to director-related entities were for the provision of services of the particular officer, to the Company, as follows:

- (i) Satomi Pty Ltd, an entity associated with Scott Douglas, was paid \$100,000 for company director services;

Directors' report (cont.)

30 June 2010



2009	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	TOTAL	
	Cash salary or fees \$	Super-annuation \$	Performance shares \$	\$	% Share based payment
Non-executive directors					
(i) Scott Douglas	147,323	–	–	147,323	–
Geoffrey (Toby) Rose	–	29,167	–	29,167	–
Michael Hunt	–	25,165	–	25,165	–
(ii) Peter Pawlowitsch	17,732	–	–	17,732	–
Sub-total non-executive directors	165,055	54,332	–	219,387	
Executive directors					
Paul Jury	286,957	100,000	216,000	602,957	36%
Stephen Matthews	190,217	100,000	108,000	398,217	27%
Sub-total executive directors	477,174	200,000	324,000	1,001,174	
Other key management					
Hennie van den Aardweg	202,514	16,200	33,750	252,464	13%
Michelene Collopy	23,313	23,312	–	46,625	–
Rowan Armstrong	74,738	5,188	–	79,926	–
Sub-total key management	300,565	44,700	33,750	379,015	
Totals	942,794	299,032	357,750	1,599,576	

The fees paid to director-related entities were for the provision of services of the particular director, to the Company as follows:

- (i) Satomi Pty Ltd, an entity associated with Scott Douglas, was paid \$147,323 for company director services;
- (ii) Gyoen Pty Ltd, trading as Gyoen Consulting, an entity associated with Peter Pawlowitsch, was paid \$8,250 for company director services and \$9,482 for consulting services.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

NAME	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI	
	2010	2009	2010	2009	2010	2009
Executive directors						
Paul Jury	19%	64%	–	–	81%	36%
Stephen Matthews	26%	73%	–	–	74%	27%
Other key management						
Hennie van den Aardweg	48%	87%	–	–	52%	13%
Michelene Collopy	99%	100%	–	–	1%	–
Rowan Armstrong	–	100%	–	–	–	–

Directors' report (cont.)

30 June 2010



3 Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below:

Paul Jury, Managing Director

- Three year term from 14 July 2008;
- Three month notice by director;
- Termination payments equivalent to six months' salary package;
- Base salary and superannuation to be reviewed annually;
- Provision made for the awarding of bonuses at the Board's discretion; and
- Provision made for the award of performance related options, subject to shareholder approval.

Steve Matthews, Executive Director and Company Secretary

- Three year term from 14 July 2008;
- Three month notice by director;
- Termination payments equivalent to six months' salary package;
- Base salary and superannuation to be reviewed annually;
- Provision made for the awarding of bonuses at the Board's discretion; and
- Provision made for the award of performance related options, subject to shareholder approval.

Hennie van den Aardweg, General Manager Operations South Africa

- Three year term from 1 November 2008;
- One month notice by employee;
- Termination payments equivalent to three months' salary package;
- Base salary and superannuation to be reviewed annually;
- Provision made for the awarding of bonuses at the Board's discretion; and
- Provision made for the award of performance related options.

Micheline Collopy, Chief Financial Officer

- No service agreement.

There are no service agreements with non-executive directors. Non-executive directors serve on a month to month basis and there are no termination payments payable.

4 Share-based compensation

Shares under option

Shares under option are granted under the Long-term Incentive Plan for no consideration. Options vest over periods ranging from one to three years with both market and non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones including obtaining a mining licence and funding for the project and are expected to be achieved in the first half of 2011. Shareholder approval for the issue of shares under option was obtained at a General Meeting held on 26 October 2009.

Directors' report (cont.)

30 June 2010

Unissued ordinary shares of Resource Generation Limited under option, held by directors and key management, at the date of this report are as follows:

Grant date	Name	Date vested and exercisable	Expiry date/ Year in which options may vest	Issue price of shares	Value per option at grant date	Number granted under option	Year granted
6-Nov-09	Paul Jury	31-Mar-11	30-Sep-12	nil	\$0.49	3,333,333	2010
6-Nov-09	Paul Jury	30-Jun-11	30-Sep-12	nil	\$0.49	3,333,333	2010
6-Nov-09	Steve Matthews	31-Mar-11	30-Sep-12	nil	\$0.49	1,666,667	2010
6-Nov-09	Steve Matthews	30-Jun-11	30-Sep-12	nil	\$0.49	1,666,667	2010
6-Nov-09	Hennie van den Aardweg	31-Mar-11	30-Sep-12	nil	\$0.49	750,000	2010
6-Nov-09	Hennie van den Aardweg	30-Jun-11	30-Sep-12	nil	\$0.49	750,000	2010
22-Jun-10	Michelene Colopy	31-Mar-11	30-Sep-12	nil	\$0.49	25,000	2010
22-Jun-10	Michelene Colopy	30-Jun-11	30-Sep-12	nil	\$0.49	25,000	2010
7-Dec-07	Scott Douglas	7-Dec-07	28-Nov-12	n/a	\$0.73	250,000	2008
7-Dec-07	Scott Douglas	7-Dec-07	28-Nov-12	n/a	\$0.57	250,000	2008
17-Mar-08	Scott Douglas	17-Mar-08	17-Mar-13	n/a	\$0.88	250,000	2008
17-Mar-08	Scott Douglas	26-May-08	17-Mar-13	n/a	\$0.79	250,000	2008
26-May-08	Scott Douglas	26-May-08	28-May-13	n/a	\$0.76	250,000	2008
26-May-08	Scott Douglas	26-May-08	28-May-13	n/a	\$0.69	250,000	2008
26-May-08	Scott Douglas	26-May-08	28-May-13	n/a	\$0.64	500,000	2008
						13,550,000	

n/a: Options issued at various strike prices as per Note 18.

Grant date	Name	% Vested	% Forfeited	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$	Performance achieved
6-Nov-09	Paul Jury	Nil	Nil	Nil	1,633,333	to be determined
6-Nov-09	Paul Jury	Nil	Nil	Nil	1,633,333	to be determined
6-Nov-09	Steve Matthews	Nil	Nil	Nil	816,667	to be determined
6-Nov-09	Steve Matthews	Nil	Nil	Nil	816,667	to be determined
6-Nov-09	Hennie van den Aardweg	Nil	Nil	Nil	367,500	to be determined
6-Nov-09	Hennie van den Aardweg	Nil	Nil	Nil	367,500	to be determined
22-Jun-10	Michelene Colopy	Nil	Nil	Nil	12,250	to be determined
22-Jun-10	Michelene Colopy	Nil	Nil	Nil	12,250	to be determined
7-Dec-07	Scott Douglas	100%	Nil	Nil	Nil	100%
7-Dec-07	Scott Douglas	100%	Nil	Nil	Nil	100%
17-Mar-08	Scott Douglas	100%	Nil	Nil	Nil	100%
17-Mar-08	Scott Douglas	100%	Nil	Nil	Nil	100%
26-May-08	Scott Douglas	100%	Nil	Nil	Nil	100%
26-May-08	Scott Douglas	100%	Nil	Nil	Nil	100%
26-May-08	Scott Douglas	100%	Nil	Nil	Nil	100%



4 Share-based compensation (continued)

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a binomial pricing model that takes into account exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

5 Additional information

a) Shares under option

At 30 June 2010 there were 19.700m ordinary shares under option made up of the 11.600m granted during 2010 and 8.100m granted in prior years. For details of these options see Note 18f.

b) Insurance of officers

During the financial year Resource Generation Limited paid a premium of \$29,953 to insure the directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

c) Agreement to indemnify officers

During the financial year, the Company entered into an agreement to provide access to Company records and to indemnify the directors and officers of the Company. The indemnity relates to any liability:

- i) as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law.
- ii) for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

d) 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 on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

e) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

f) Auditors' 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 of the annual report.

g) Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and Group are important. The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 21, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Paul Jury

Managing Director

Sydney

Date 19 August 2010

Auditor's independence declaration

For personal use only



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Auditors' Independence Declaration

As lead auditor for the audit of Resource Generation Limited for the year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Resource Generation Limited during the year.

John Feely
Partner
PricewaterhouseCoopers

Sydney
19 August 2010

Liability limited by a scheme approved under Professional Standards Legislation

Corporate governance statement

30 June 2010



Resource Generation Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the Company's corporate governance framework was completed in May 2007 and in light of the best practice recommendations released by the Australian Securities Exchange Corporate Governance Council in August 2007 and the reorganisation of the Company that was undertaken during the financial year ended 30 June 2008. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. Where the Company has not adhered to the policies set out in its Board charter for corporate governance it is stated in the annual report.

The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Managing Director and the Company Secretary. These are reviewed on an annual basis, with the most recent review in June 2010.

All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter which is available from the Company's registered office and on the website. The charter details the Board's composition and responsibilities.

Board composition

At the date of signing the Directors' Report, the Board comprises two executive Directors (the Managing Director and Finance Director) and two non-executive Directors.

Responsibilities

The responsibilities of the Board include:

- (i) providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- (ii) reviewing and approving business plans and financial plans including available resources and major capital expenditure initiatives;
- (iii) overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
- (iv) compliance with the Company's Code of Conduct;
- (v) monitoring progress on major capital works and other significant corporate projects including any acquisitions or divestments;
- (vi) monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- (vii) appointment, performance assessment and, if necessary, removal of the directors;
- (viii) ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the Chief Financial Officer and the Company Secretary;
- (ix) ensuring there are effective management processes in place and approving major corporate initiatives;
- (x) enhancing and protecting the reputation of the organisation; and
- (xi) overseeing the operation of the Company's system for compliance and risk management reporting to shareholders.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussion and managing the Board's relationship with the Company's senior executives. The Chairman has acknowledged the significant time commitment in accepting the position and has confirmed that other positions will not hinder his effective performance in the role of Chairman.

The Managing Director is responsible for implementing Company strategy and policies.

Commitment

The number of meetings of the Company's Board of directors held during the year ended 30 June 2010, and the number of meetings attended by each director is disclosed in the directors' report under the heading 'Meetings of directors'.

Conflict of interest

There were no conflicts of interest during the reporting period.

Independent professional advice

Directors, and Board committees, have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Written approval of the Chairman is required, but this will not be unreasonably withheld.

Corporate governance statement (cont.)

30 June 2010

Performance assessment

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and of its individual directors, bearing in mind the adequacy of induction and continuing education, access to information and the support provided by the Company Secretary.

Corporate reporting

The Board has made the following certifications as to the financial report for the reporting period ended 30 June 2010:

- (i) that the Company's financial report is complete and presents a true and fair view, in all material respects, of the financial condition and operational results of the Company; and
- (ii) that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board or where those policies are not adhered to that fact is stated in the annual report and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Audit and Risk Committee and Remuneration Committee. Each is comprised entirely of non-executive directors.

Minutes of committees are tabled at the subsequent Board meeting.

Audit and Risk Committee

The Audit and Risk Committee consists of the following non-executive directors:

Scott Douglas (Chairman)
Toby Rose

The Audit and Risk Committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The Audit and Risk Committee operates in accordance with a charter. The primary purpose of the Audit and Risk Committee is to assist the Board to discharge its responsibilities in the following areas:

- ensuring the Group adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
- facilitating the independence of the external audit process and addressing issues arising from the audit process;

- ensuring the Group maintains effective risk management and internal control systems. Effective risk management is facilitated through the active operation of three risk registers covering health, safety and the environment, financial and operations; and
- reviewing and concurring on the appointment, replacement, reassignment or dismissal of the CFO.

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

Scott Douglas (Chairman)
Toby Rose

The primary purpose of the Remuneration Committee is to advise the Board on remuneration and incentive policies and practices generally, and to make practical recommendations to assist the Board in discharging its responsibilities in the following areas:

- ensuring that appropriate procedures exist to assess the remuneration levels of the Chairman, non-executive directors, executive directors, direct reports to the Managing Director, Board committees and the Board as a whole;
- ensuring that the Group adopts, monitors and applies appropriate remuneration policies and procedures; and
- ensuring reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal reports.

External Auditors

The Board and Audit and Risk Committee are responsible for the appointment and monitoring of performance of the external auditor. The Audit and Risk Committee charter sets out the following areas of responsibility:

- liaising with the external auditors regarding the scope of the audit and ensuring that the annual and half-yearly audits are conducted in an effective manner;
- approving audit fees;
- reviewing matters relating to auditor independence;
- pre-approving any non-audit services provided by the auditors; and
- ensuring rotation of the audit partner every 5 years.

PricewaterhouseCoopers was appointed auditor in 2008. An analysis of fees paid to the external auditor, including fees for non-audit services, is included in Note 21.

The external auditor attends the annual general meeting and is available to answer shareholder questions. The external auditor is invited to attend half yearly Audit and Risk Committee meetings.

Corporate governance statement (cont.)

30 June 2010



There is currently no formal nomination committee or occupational health & safety committee as the Board does not consider that they are presently warranted given the size of the Board and present operations of the Company. If a new Director were to be appointed, the Board as a whole would review the skills, experience and expertise of the candidate. Relevant workplace policies are in place governing exploration and development activities and are monitored by the Audit and Risk Committee.

Risk assessment and management

The Board, through the Audit and Risk Committee, is responsible for ensuring that there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified and assessed, and effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Company risk management policy and the operation of the risk management and compliance system are managed by the Board which consists of the directors and Chairman. Control procedures cover management accounting, financial reporting, project appraisal, compliance and other risk management issues.

Share trading policy

The purchase or sale of Company securities by directors and employees is governed by the Group's Buying and Selling Securities in Resource Generation Limited policy. The policy acknowledges that under a continuous disclosure environment it is difficult to impose specific 'windows' where share trading is permitted and that the only appropriate time for a director or employee to acquire or sell the Company's shares is when he or she is not in possession of price sensitive information which is not generally available in the market.

Code of conduct

The Company has developed a statement of values and a code of conduct which has been fully endorsed by the Board and applies to all directors and any employees when they are engaged. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

A copy of the code and the trading policy are included in the Board charter and are available at the Company's registered office and on the website.

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is included in the Board charter and is available at the Company's registered office and on the website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's website.

Deloitte & Touche Sponsor Services (Pty) Ltd acts as the company's sponsor for its secondary listing on JSE Limited and is responsible for the company's communications with JSE Limited.

Statement of comprehensive income

For the year ended 30 June 2010

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Revenue from continuing operations	5	982	398
Administration, rent and corporate		(847)	(1,019)
Employees benefits expense		(302)	(638)
Depreciation of property plant and equipment	6a	(92)	(69)
Share based compensation	6a	(2,965)	(6,690)
Provision for investment diminution	6b	–	(7,089)
Development expenditure		(56)	(39)
Loss before income tax		(3,280)	(15,146)
Income tax expense	7	–	–
Loss from continuing operations		(3,280)	(15,146)
Loss from discontinued operations	8	–	(6)
Loss for the year	8	(3,280)	(15,152)
Other comprehensive income			
Exchange differences on translation of foreign operations		(88)	(28)
Total comprehensive income		(3,368)	(15,180)
Loss is attributable to:			
Owners of Resource Generation Limited		(3,280)	(15,152)
Total comprehensive income for the year is attributable to:			
Owners of Resource Generation Limited		(3,368)	(15,180)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	31	(2.2)	(21.2)
Diluted earnings per share	31	(2.2)	(21.2)

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

Balance sheets

As at 30 June 2010



	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	10	6,088	5,090
Trade and other receivables	11	1,693	488
Deposits and prepayments	12	16	–
		7,797	5,578
Non-current assets			
Property, plant and equipment	13	22,951	305
Mining tenements and exploration	14	61,423	55,932
		84,374	56,237
Total Assets		92,171	61,815
Current liabilities			
Trade and other payables	15	1,582	594
Provisions	16	147	111
		1,729	705
Non-current liabilities			
Royalties payable	17	3,926	3,896
		3,926	3,896
Total Liabilities		5,655	4,601
Net Assets		86,516	57,214
Equity			
Contributed equity	18	95,945	65,376
Reserves	19	20,025	18,012
Accumulated losses	19	(29,482)	(26,202)
Total parent entity interest		86,488	57,186
Minority interest	26	28	28
Total Equity		86,516	57,214

The above balance sheets should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2010

Notes	ATTRIBUTABLE TO OWNERS OF RESOURCE GENERATION LIMITED						
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000	
Balance at 1 July 2008	46,313	11,114	(11,050)	46,377	28	46,405	
Total comprehensive income for the year as reported in the 2009 financial statements	-	(28)	(15,152)	(15,180)	-	(15,180)	
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	18	19,063	-	-	19,063	-	19,063
Share based payment reserve	19	-	6,569	-	6,569	-	6,569
Employee share options – value of employee services	19	-	357	-	357	-	357
		19,063	6,926	-	25,989	-	25,989
Balance at 30 June 2009		65,376	18,012	(26,202)	57,186	28	57,214
Total comprehensive income for the year		-	(88)	(3,280)	(3,368)	-	(3,368)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	18	30,569	-	-	30,569	-	30,569
Employee share options – value of employee services	19	-	2,101	-	2,101	-	2,101
		30,569	2,101	-	32,670	-	32,670
Balance at 30 June 2010		95,945	20,025	(29,482)	86,488	28	86,516

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

Notes to the financial statements

As at 30 June 2010



1 Summary of significant accounting policies

The principal accounting policies adopted in the presentation of the consolidated financial statements are as set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Resource Generation Limited and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

It is recommended that this financial report is read in conjunction with any public announcements made by Resource Generation Limited during the year, in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Compliance with IFRS

The financial report of Resource Generation Limited also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Financial statement presentation

The Group applied AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Generation Limited ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Resource Generation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (Note 1 (g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet, respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Resource Generation Limited.

(ii) Joint ventures

Joint venture entities

The proportionate interest in the assets, liabilities and expenses of the joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in Note 25.

Notes to the financial statements (cont.)

As at 30 June 2010



1 Summary of significant accounting policies (continued)

c) Segment reporting

Segments are reported in a manner consistent with the internal management reporting to the board. A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services with a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. The new standard requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes, consistent with the internal reporting provided to the board.

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is Resource Generation Limited's presentation and functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange rate differences are recognised in other comprehensive income.

On consolidation, exchange rate differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised on a time proportional basis using the effective interest method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate on the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Notes to the financial statements (cont.)

As at 30 June 2010



f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of tax laws at the end of the accounting period in the countries where the Group operates and generates taxable income. Management periodically evaluates position taken where the tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liability settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising on initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation legislation

Resource Generation Limited and its wholly owned Australian controlled subsidiaries implemented the tax consolidation legislation effective 1 July 2007. The entities in the tax consolidated group have entered into a tax sharing agreement which limits the joint and several liability of the wholly owned entities in the case of default by the head entity, Resource Generation Limited.

In addition to its own current and deferred tax amounts, Resource Generation Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement will be recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

g) Business combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at acquisition date. The acquisition method of accounting is used for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. The revised standard continues to apply the acquisition method to business acquisitions but there have been some significant changes. Acquisition costs are now expensed as incurred, rather than included in the acquisition costs. All purchase consideration is now recorded at fair value at acquisition date.

Notes to the financial statements (cont.)

As at 30 June 2010



1 Summary of significant accounting policies (continued)

h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

i) Trade receivables

All trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment, as they are due for settlement no more than 30 days from the date of recognition, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off by reducing the carrying amount directly.

An allowance amount (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off by reducing the carrying amount directly. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss

is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit and loss immediately.

The above principles of impairment also apply to mining tenements and investments in subsidiaries.

k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

l) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount and the outflow can be reliably measured. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

m) Option premium reserve

The fair value at grant date is determined using a pricing model that factors in the share price at grant date, the expected price volatility of the underlying share and the risk-free rate for the assumed term of the option.

n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Notes to the financial statements (cont.)

As at 30 June 2010



o) Exploration and development assets and mining tenements

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are expensed as incurred and only carried forward where there is certainty that the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs impaired to the extent that they will not be recoverable in the future.

Mining tenements are recognised at cost, after provision for impairment. Refer to Note 1(j) for the consolidated entity's accounting policy on impairment of mining tenements.

p) Earnings per share

- (i) Basic Earnings Per Share ("EPS") is calculated by dividing the result attributable to equity holders of the Group by the weighted average number of shares outstanding during the year.
- (ii) Diluted earnings per share adjusts the figures used to determine EPS to take into account:
 - the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
 - the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

q) Goods and services tax (GST); Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from the taxation authority is shown as a receivable in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

The treatment for VAT, in relation to offshore entities, is consistent with the treatment of GST outlined above.

r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date. No dividends were paid or proposed to be paid to members during the current year.

s) Minority interests

Minority interest, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interest held by persons outside the group, are shown separately within the equity section of the consolidated balance sheet and in the consolidated statement of comprehensive income.

t) Investment in subsidiaries

Subsidiaries are recognised at cost less impairment losses. Refer to Note 1(j) for the consolidated entity's accounting policy on impairment of subsidiaries.

u) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

v) Inventories

Inventories are valued at the lower of cost and realisable value.

w) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment and borrowing costs capitalised during the construction of a qualifying asset.

Notes to the financial statements (cont.)

As at 30 June 2010



1 Summary of significant accounting policies (continued)

w) Property, plant and equipment (continued)

Depreciation on assets is calculated on a straight-line basis to allocate their cost or revalued amount, net of their residual values, over their useful estimated lives as follows:

Plant and equipment	4-25 years, depending on the nature of the asset
Office equipment	1-10 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(j)).

x) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the Group, whichever is shorter. Leasehold improvements held at the reporting date are being amortised over 5 years.

y) Employee benefits

(i) Short-term obligations

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 provisions (Note 16) in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

Contributions to superannuation funds by the consolidated entity are expensed in the year they are paid or become payable.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Resource Generation Limited Employee Share Option Plan and the Resource Generation Limited Employee Share Plan.

The fair value of options granted under the Resource Generation Limited Employee Share Option Plan and Resource Generation Limited Employee Share Plan is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria,

the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

z) Leases

Leases of property plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from the operating lease where the Group is a lessor is recognised in income on a straight line basis over the lease term.

aa) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates the designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading purposes or short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with

Notes to the financial statements (cont.)

As at 30 June 2010

a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit and loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are included in trade and other receivables (Note 11).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where that is neither a fixed maturity nor fixed or determinable payments and are valued at cost.

Financial assets reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be classified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity date at the date of classification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party, whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets to liabilities assumed, is recognised in profit or loss.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, significant or prolonged decline in the fair value of a security below its costs is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

ab) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of and represents a separate major line of business or geographical area of operations. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

ac) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the financial statements (cont.)

As at 30 June 2010



1 Summary of significant accounting policies (continued)

ad) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and the measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group has not yet decided when to adopt AASB 9.

- (ii) AASB Interpretation 19 *Extinguishing Financial Liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group or the parent entity's financial statement since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

- (iii) AASB 2009-14 *Amendments to Australian Interpretation Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 15 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments where there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not have a defined benefit scheme and this amendment will not be applicable.

ae) Parent entity financial information

The financial information for the parent entity, Resource Generation Limited, disclosed in note 32, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities.

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Resource Generation Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the board of directors and management under policies approved by the board. The board and management identifies and evaluates financial risks and provides principles for overall risk management.

a) Market risk

(i) Interest rate risk

Neither the Group or Company is exposed to any material interest rate risk. The Company has no borrowings.

(ii) Foreign currency risk

The Group or Company operates internationally and is exposed to currency exposures in respect of the South African Rand in relation to the development and exploration activities in South Africa. Foreign exchange risk is managed through the holding of deposits in South African Rand to match forecast expenditure over the near term. The foreign exchange exposure is not hedged. If the South African rand weakened/strengthened by 10% since 30 June 2010 there would have been no impact on the Group's net loss after tax. Other components of equity would not have been affected, with the exception of the foreign currency translation reserve which would have been increased/decreased by \$A846K with a 10% movement.

Notes to the financial statements (cont.)

As at 30 June 2010

The Group's exposure to foreign currency risk at the reporting date, expressed in South African Rand, was as follows:

	2010 Rand '000	2009 Rand '000
Cash at Bank (South Africa & Mauritius)	14,370	4,734
VAT Receivable	10,887	1,959
Royalty payable	30,000	30,000

(iii) Price risk

The Group or Company is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not presently exposed to commodity price risk.

b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Neither the Group or Company has any material credit risk exposure to any single receivable or receivables under financial instruments entered into by the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions only independently rated parties with a minimum rating of "A" are accepted.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Cash flow forecasting monitors liquidity requirements. The Company has \$1.582m in trade and other payables as at 30 June 2010, all of which are due within 6 months.

d) Cash flow and fair value interest rate risk

As neither the Group or Company has any significant interest-bearing liabilities, their income and operating cash flows are not materially exposed to changes in market interest rates.

e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Neither the Group or Company hold any financial assets or liabilities.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Development expenditure

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises direct costs plus overhead expenditure incurred which can be directly attributable to the development process.

All expenditure incurred prior to the commencement of commercial levels of production from each area of interest is carried forward to the extent which recoupment out of revenue to be derived from the sale of production from the area of interest or, by its sale, is reasonably assured. Once commercial levels of production commence, the development expenditure in respect of that area of interest will be amortised on a straight line basis, based upon an estimate of the life of the area of interest.

Expenditure on the Boikarabelo project has been fully capitalised as per note 14. The Group has fully provided for the impairment of the Uranex and Tasmanian mining tenements as per note 6.

Notes to the financial statements (cont.)

As at 30 June 2010



4 Segment information

a) Description of segments

Management has determined the segments based upon reports reviewed by the board that are used to make strategic decisions. The board considers the business from both a business and geographic perspective.

Business segments

The Company has coal interests in South Africa and Tasmania and uranium tenements in Cameroon. The main priority is to develop its coal resources in the Waterberg region of South Africa. Management has determined this to be the critical reportable segment.

b) Business segments

Mineral tenements and exploration

Prospective coal tenements in South Africa and Tasmania and uranium tenements in Cameroon.

Telecommunications Industry

Provision of telephony and internet services to remote areas (closed August 2008).

Geographical segments

The Company is domiciled in Australia. Exploration activities are undertaken in South Africa, Tasmania and Cameroon. The telecommunications business, which was closed in August 2008, operated solely within Australia.

	MINING TENEMENTS AND EXPLORATION		CORPORATE	TOTAL CONTINUING OPERATIONS	CONSOLIDATED
2010	South Africa \$'000	Tasmania \$'000	Australia \$'000	\$'000	\$'000
Segment and consolidated revenue	562	–	420	982	982
Interest income	564	–	394	958	958
Segment result	386	(45)	(3,621)	(3,280)	(3,280)
Profit/(loss) before income tax	386	(45)	(3,621)	(3,280)	(3,280)
Income tax expense	–	–	–	–	–
Profit/(Loss) for the year	386	(45)	(3,621)	(3,280)	(3,280)
Segment assets and liabilities					
Segment assets	88,149	41	3,981	92,171	92,171
Segment liabilities	5,328	–	327	5,655	5,655
Other segment information					
Acquisitions of plant and equipment and other non-current segment assets	22,731	–	7	22,738	22,738
Depreciation expense	21	–	71	92	92
Cash flow information					
Net cash outflow from operating activities	465	–	(612)	(147)	(147)
Net cash outflows used in investing activities	(27,988)	(86)	(477)	(28,551)	(28,551)
Net cash inflow from financing activities	–	–	29,611	29,611	29,611

Notes to the financial statements (cont.)

As at 30 June 2010

4 Segment information (continued)

b) Business segments (continued)

	MINING TENEMENTS AND EXPLORATION		CORPORATE	TOTAL CONTINUING OPERATIONS	DISCONTINUED OPERATION TELECOMMUNI- CATIONS (NOTE 8)	CONSOLIDATED
2009	South Africa \$'000	Tasmania \$'000	Australia \$'000	\$'000	Australia \$'000	\$'000
Segment and consolidated revenue	–	–	20	20	37	57
Interest income	37	–	341	378	–	378
Segment result	192	(6,925)	(8,413)	(15,146)	(6)	(15,152)
Profit/(Loss) before income tax	192	(6,925)	(8,413)	(15,146)	(6)	(15,152)
Income tax expense	–	–	–	–	–	–
Profit/(Loss) for the year	192	(6,925)	(8,413)	(15,146)	(6)	(15,152)
Segment assets and liabilities						
Segment assets	52,508	–	9,307	61,815	–	61,815
Segment liabilities	4,294	–	307	4,601	–	4,601
Other segment information						
Acquisitions of plant and equipment and other non-current segment assets	10,999	–	282	11,281	–	11,281
Depreciation expense	12	–	57	69	–	69
Cash flow information						
Net cash outflow from operating activities	33	–	(1,224)	(1,191)	13	(1,178)
Net cash outflows used in investing activities	(4,035)	–	(2,592)	(6,627)	–	(6,627)
Net cash inflow from financing activities	–	–	11,426	11,426	–	11,426

c) Geographical segments

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND OTHER NON-CURRENT SEGMENT ASSETS	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Australia	–	27	4,022	9,273	–	282
South Africa	–	–	88,149	52,542	22,738	10,999
	–	27	92,171	61,815	22,738	11,281
Unallocated assets			–	–		
Total assets			92,171	61,815		

Notes to the financial statements (cont.)

As at 30 June 2010



5 Revenue

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Other revenue	27	20
Interest earned	955	378
	982	398

6a Expenses

The loss before income tax includes the following specific expenses

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Depreciation	92	69
Occupancy costs	167	168
Foreign exchange loss	116	10
Share based compensation (cancelled executive options 2009)	–	6,332
Share based compensation – replacement executive options	2,965	358

2009 cancelled executive options

When Mr Paul Jury and Mr Steve Matthews were appointed Directors they were granted the following series of options:

Option expiry date	Paul Jury Number (post share consolidation) '000	Steve Matthews Number (post share consolidation) '000	Exercise price
5-Sep-09	2,789	1,399	\$2.00
5-Mar-10	2,789	1,399	\$2.75
5-Sep-10	2,789	1,399	\$3.50

This was approved by shareholders at a General Meeting on 5 September 2008. Given the turmoil in global stock markets these options, which are short-term, no longer acted as the incentive for which they were intended. The options package was replaced by performance shares under the employee share plan at the General Meeting on 23 January 2009. Mr Jury and Mr Matthews were granted 3 million and 1.5 million performance shares respectively. The options were cancelled and fully expensed in the 2009 period (\$6,332K).

In accordance with Accounting Standards AASB 2 "Share-based payment", equity based employee entitlements must be valued at the fair value of the equity entitlements granted. The fair value of the equity instruments is measured at grant date.

Notes to the financial statements (cont.)

As at 30 June 2010

6b Write-down of loans and investments

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Impairment of assets		
Provision for investment diminution – Uranex	–	164
Provision for investment diminution – Tasmanian assets	–	6,925
Total provision for diminution	–	7,089

Further expenditure is required to assess the quality and quantity of the resources reflected in these assets. There exists an uncertainty in relation to the existence of a commercial reserve, and the ability to generate future cash flows from the licences associated with the assets. On this basis, management has assessed the assets as impaired and has written them down to nil.

7 Income tax expense

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
a) Income tax expense		
Current tax	–	–
Deferred tax	–	–
Under (over) provided in prior years	–	–
	–	–
Income tax expense is attributable to:		
Loss from continuing operations	–	–
Loss from discontinued operations	–	–
Aggregate income tax expense	–	–
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	–	–
(Decrease) increase in deferred tax liabilities	–	–
	–	–

Notes to the financial statements (cont.)

As at 30 June 2010



7 Income tax expense (continued)

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(3,280)	(15,146)
Loss from discontinued operations before income tax expense	–	(6)
	(3,280)	(15,152)
Tax expense/(benefit) at the Australian rate of 30%	(984)	(4,546)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	890	2,006
Share of net profit/(loss) of subsidiaries	(283)	(58)
Tasmanian development costs	(12)	–
	595	1,948
Income tax expense/(benefit) not recognised	(389)	(2,598)
Utilisation of carried forward tax losses	–	–
Income tax expense	–	–
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:	23,888	18,492
Potential tax benefit at respective tax rates (Aust:30%, RSA:28%)	6,871	5,548
Unused tax losses will not be brought to account until such time as the Group is in a position to utilise them.		
d) Tax expense relating to items of other comprehensive income		
Foreign currency translation	–	–
	–	–
e) Unrecognised temporary differences		
Temporary differences relating to investments in subsidiaries for which no deferred tax asset has been recognised		
Foreign currency translation	(88)	(28)
Development costs	5,491	4,008
Capital raising expenditure	1,263	769
	6,666	4,749
Unrecognised deferred tax assets relating to the above temporary differences	2,000	1,425

f) Tax consolidation legislation

The Company and its wholly-owned Australian consolidated entities, acquired in October 2008, were consolidated for taxation purposes effective 1 July 2007. The entities in the tax consolidated group have entered into a tax sharing agreement which limits the joint and several liability of the wholly owned entities in the case of default by the head entity, Resource Generation Limited.

Notes to the financial statements (cont.)

As at 30 June 2010

8 Discontinued operations

Prior period 2009

a) Description

The Company's wholly owned subsidiary, Comdek Satellite Communications Pty Limited, was a satellite communications business supplying data, facsimile, eftpos and internet services to remote mining sites. On 31 August 2008, the Company closed (and is in the process of winding up) its satellite communications business, operated by its wholly owned subsidiary, Comdek Satellite Communications Pty Limited. Financial information relating to the discontinued operation is set out below. Further information is set out in Note 4 – segment information.

b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2009.

	2009 \$'000
Revenue	37
Expenses	(43)
Loss before income tax	(6)
Income tax expense	–
Loss after income tax of discontinued operations	(6)
Loss from discontinued operations	(6)
Loss attributable to the owners of Resource Generation Limited	
Loss from continuing operations	(15,146)
Loss from discontinued operations	(6)
	(15,152)
Net cash inflow from operating activities	13
Net increase in cash generated by the division	13

c) Carrying amounts of assets and liabilities

The carrying amounts of the assets and liabilities at 30 June 2009 were:

	2009 \$'000
Cash on hand	–
Trade and other receivables	–
Inventories	–
Total assets	–
Trade and other payables	–
Provisions	–
Amounts owing to parent company	7
Total liabilities	7
Net assets	(7)

Notes to the financial statements (cont.)

As at 30 June 2010



9 Business combinations

Prior Period 2009

a) On 9 October 2008 Resource Generation Limited acquired all of the issued shares in Energy Investments Limited and Tiger Coal Pty Limited.

As consideration for all the issued capital in Energy Investments Limited 3.6 million shares were issued. The acquired business contributed revenues of \$nil and a net loss of \$45K (net of impairment) to the Company for the period from 9 October 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008 consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been \$398K and (\$15,254K).

Details of net assets acquired and mine tenements are as follows:

	2009 \$'000
Purchase consideration	
Value of shares issued in consideration	2,592
Total purchase consideration	2,592
Fair value of net identifiable assets acquired (refer below)	2,592

The mine tenements are attributable to the exploration licences acquired. Further expenditure is required to assess the quantity and quality of the resources. There exists an uncertainty in relation to the existence of a commercial reserve, and the ability to generate future cash flows from the licences associated with the assets. As a conservative measure the value of this mine tenement has been fully provided for.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	10	10
Mining tenements and exploration	8	2,592
Payables	(10)	(10)
Net identifiable assets acquired	8	2,592

As consideration for all the issued capital in Tiger Coal Pty Limited 6 million shares were issued. The acquired business contributed revenues of \$nil and a net loss of \$40K (net of impairment) to the Company for the period from 9 October 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008 consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been \$398K and (\$15,160K).

Details of net assets acquired and mining tenements are as follows:

	2009 \$'000
Purchase consideration	
Value of shares issued in consideration	4,320
Total purchase consideration	4,320
Fair value of net identifiable assets acquired (refer below)	4,320

Notes to the financial statements (cont.)

As at 30 June 2010

9 Business combinations (continued)

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	39	39
Prepayments and receivables	8	10
Mining tenements and exploration	10	4,272
Payables	(1)	(1)
Net identifiable assets acquired	56	4,320

The mine tenements are attributable to the exploration licences acquired. Further expenditure is required to assess the quantity and quality of the resources. There exists an uncertainty in relation to the existence of a commercial reserve, and the ability to generate future cash flows from the licences associated with the assets. As a conservative measure the value of this mine tenement has been fully provided for.

b) On 23 December 2008 the Company acquired Resgen Africa Holdings Limited (formerly Apex Resources Holdings Inc.) for US\$1.5million and a royalty of R30million to be paid on coal produced from the area.

The acquired business contributed revenues of \$nil and a net loss of \$nil to the Company for the period from 23 December 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008 consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been \$398K and (\$15,152K).

Details of the acquisition are as follows:

(i) Purchase consideration

	2009 \$'000
Purchase consideration	2,209
Direct costs relating to acquisition	27
Future contingent royalty payment	3,896
Total purchase consideration	6,132
Fair value of net identifiable assets required (refer below)	6,132

	Acquiree's carrying amount \$'000	Fair value \$'000
Mining tenements and exploration	–	6,132
Net identifiable assets acquired	–	6,132
Outflow of cash to acquire the business		(2,236)
Less: balances acquired		
Cash		–
Bank overdraft		–
Outflow of cash		(2,236)

The mining tenement is attributable to the exploration licences acquired. The Company is confident that these costs will be recovered with the development of the coal reserves.

Notes to the financial statements (cont.)

As at 30 June 2010



9 Business combinations (continued)

\$'000

(ii) Assets acquired

Receivables	24
Payables	(24)
	-

c) On 7 July 2008 Resource Generation acquired all of the issued shares in Resgen South Africa (Pty) Limited (formerly Isicebi Carbon Mining (Pty) Limited).

The shares issued in relation to the acquisition created a contingent consideration of \$35.865 million and reserves of \$8.821 million which were booked at 30 June 2008, as the transaction was effectively completed by this time. The acquisition was settled in two tranches on 7 July 2008 and 13 March 2009.

Details of net assets acquired are as follows:

(i) Purchase consideration

	2009 \$'000
Value of shares issued as consideration	35,865
Direct costs relating to acquisition	36
Value of options issued as consideration	8,821
Total purchase consideration	44,722
Fair value of net identifiable assets required	44,722
Outflow of cash to acquire the business	(136)
Less: balances acquired	
Cash	-
Bank overdraft	-
Outflow of cash	(136)

	Acquiree's carrying amount	Fair value
Mining tenements and exploration	-	44,722
Net identifiable assets acquired	-	44,722

The mining tenements are attributable to the exploration licences acquired. The Company is confident that these costs will be recovered with the development of the coal reserves.

\$'000

(ii) Assets acquired

Receivables	-
Payables	-
	-

Notes to the financial statements (cont.)

As at 30 June 2010

10 Current Assets – cash and cash equivalents

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Cash at bank and in hand	14	357
Deposits at call	6,074	4,733
	6,088	5,090

11 Current Assets – trade and other receivables

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Trade debtors	–	57
Receivables	11	–
Government tax refund	1,682	431
	1,693	488

12 Deposits and prepayments

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Deposits and prepayments	16	–
	16	–

13 Non-current assets – land, property, plant and equipment

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Land, plant & equipment (at cost)	23,112	374
Accumulated depreciation	(161)	(69)
	22,951	305
Opening net book value	305	85
Additions	22,738	374
Disposals	–	(85)
Depreciation/amortisation	(92)	(69)
Closing net book value	22,951	305

Notes to the financial statements (cont.)

As at 30 June 2010



14 Mining tenements and exploration

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Mining tenements – Uranex SA	7,734	7,734
Provision for impairment	(7,734)	(7,734)
Mining Tenements – Tasmanian assets	6,966	6,925
Provision for impairment	(6,925)	(6,925)
The Boikarabelo Project		
Mining tenements of 100% of Resgen South Africa (Pty) Limited		
Acquisition cost	45,962	45,962
Development expenditure	5,814	3,708
Mining tenements of 100% of Resgen Africa Holdings Limited		
Acquisition cost	6,003	6,003
Additional investment cost	79	–
Development expenditure	3,524	259
Total Boikarabelo Project	61,382	55,932
Carrying value at year end	61,423	55,932

The Boikarabelo Project is the name given to the project for the development of the coal tenements in South Africa. It incorporates the assets acquired and development expenditure for Resgen South Africa (Pty) Limited and Resgen Africa Holdings Limited.

15 Current liabilities – trade and other payables

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Trade creditors	1,520	522
Other payables – accrued expenditure	62	72
	1,582	594

16 Current liabilities – provisions

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Employee benefits – annual leave	147	111
	147	111

Notes to the financial statements (cont.)

As at 30 June 2010

17 Non-current liabilities – royalties payable

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Royalties payable	3,926	3,896
	3,926	3,896

18 Contributed equity

On 23 January 2009 the Company consolidated its capital on a 1 for 10 basis. All comparatives have been adjusted to reflect this.

	CONSOLIDATED	
	2010 Shares '000	2009 Shares '000
a) Share capital		
Ordinary shares fully paid	159,412	77,069

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Contributed equity	95,945	65,376
Total equity	95,945	65,376

b) Movement in ordinary share capital

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Opening balance	65,376	46,313
Contingent consideration (Isicebi acquisition)	–	(35,905)
Contributions of equity on settlement of Isicebi acquisition	–	35,905
Contributions of equity, net of transaction costs	33,069	19,063
Total contributions of equity	33,069	19,063
JSE Clearing shares (refer note 18d)	(2,500)	–
Closing balance	95,945	65,376

Notes to the financial statements (cont.)

As at 30 June 2010



18 Contributed equity (continued)

b) Movement in ordinary share capital (continued)

Date	Details	Notes 18	Number of shares '000	Issue Price \$	Amount \$'000
30/6/09	Opening balance		77,069		65,376
27/7/09	Rights issue	e	77,069	\$0.40	30,828
13/8/09	Employee share scheme issues	e	150	\$0.18	27
1/12/09	Employee share scheme issues	e	4,650	\$0.18	837
3/12/09	Option conversion	f	160	\$0.10	16
9/12/09	Option conversion	f	278	\$0.10	28
24/12/10	Option conversion	f	36	\$0.10	4
25/6/10	JSE clearing shares	d	5,000	\$0.50	2,500
30/6/10	Cost of share issue		–	–	(1,170)
30/6/10	Total contributed equity-parent entity		164,412		98,445
	JSE clearing shares	d	(5,000)		(2,500)
30/6/10	Total consolidated contributed equity		159,412		95,945

Date	Details	Notes 18	Number of shares '000	Issue Price \$	Amount \$'000
30/6/08	Opening balance		45,995		10,408
7/7/08	Placement – Isicebi acquisition	e	10,560	\$3.40	35,905
11/7/08	Option conversion	f	153	\$0.10	15
15/8/08	Placement (net of transaction costs)	e	5,124	\$1.67	8,553
23/9/08	Issue for ASX Reclassification to Resources		1	\$2.20	2
9/10/08	Placement – Tasmanian acquisition	e	9,600	\$0.72	6,912
4/12/08	Placement – Paul Jury	e	1,493	\$1.80	2,688
4/12/08	Placement – Steve Matthews	e	50	\$1.80	90
13/3/09	Placement – Isicebi acquisition	e	3,750	\$0.23	863
13/5/09	Option conversion	f	153	\$0.10	15
30/6/09	Option conversion	f	190	\$0.10	19
30/6/09	Cost of share issue		–	–	(94)
30/6/09	Balance		77,069		65,376

c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present in person or by proxy, is entitled to one vote and upon a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the financial statements (cont.)

As at 30 June 2010

18 Contributed equity (continued)

d) JSE Clearing shares

In order to facilitate the secondary listing on the Johannesburg Stock Exchange (JSE), the Company was required to issue shares as a guarantee deposit to ensure liquidity. A subsidiary trustee company was established, Resgen Scrip Lending Pty Limited and the 5.000m shares were issued on 25 June 2010 at \$0.50 each. The listing on the JSE was completed on 14 July 2010. Once there is a sufficient spread of shares on the South African register the JSE Clearing shares will no longer be required and arrangements will be made to deal with the shares in the interests of all shareholders.

Date	Details	Notes	Number of shares '000	Issue Price \$	Amount \$'000
1 July 2008 and 30 June 2009	Opening balance		–		–
	Acquisition of shares by the Trust		5,000	\$0.50	2,500
30 June 2010	Balance		5,000		2,500

e) 2010

Rights issue

A one for one fully underwritten rights issue at \$0.40 cents per share was undertaken in July 2009. Shares issued under the rights issue were 77.069m with cash raised of \$30.828m before costs.

Employee share scheme issues

Information relating to the employee share scheme, including details of shares issued under the scheme is set out in note 18f.

2009

Placements

The first placement was approved by shareholders in a general meeting held on 10 March 2008 to facilitate the acquisition of Resgen South Africa (Pty) Limited, formerly Isicebi Carbon Mining (Pty) Limited with the first tranche of shares in relation to the acquisition (3.750m) and facilitation of the acquisition (6.810m) allotted on 7 July 2008 at a price of \$3.40.

The second placement of 5.123m shares at \$1.80 on 15 August 2008 was approved for 5.000m shares at a general meeting on 26 May 2008, with the balance of shares (0.123m) approved at the AGM on 6 November 2008. The funds were to be used for the development of the mining assets acquired in South Africa. The gross receipts from the placement were \$9.221m with transaction costs of \$0.669m resulting in net receipts from the placement of \$8.552m.

The third placement related to the acquisition of the Tasmanian coal assets. On 9 October 2008, 3.600m shares were issued in respect of the acquisition of Energy Investments Limited at \$0.72 each. This was approved at a general meeting on 26 May 2008. The shares issued in respect of the acquisition of Tiger Coal Pty Limited, 6.000m shares at \$0.72 each, were approved at a general meeting on 5 September 2008.

The fourth placement involved the issue of shares to the executives, Paul Jury and Steve Matthews, who were allotted 1.493m and 0.050m shares respectively at a price of \$1.80 on 4 December 2008. The placement was approved at the AGM on 6 November 2008. This was part of the raising announced on 15 August 2008.

The fifth placement related to the second tranche in the acquisition of Resgen South Africa (Pty) Limited, formerly Isicebi Carbon Mining (Pty) Limited with 3.750 million shares allotted on 13 March 2009 at \$0.23.

Notes to the financial statements (cont.)

As at 30 June 2010



18 Contributed equity (continued)

f) Options

	OPTION PREMIUM RESERVE		OPTION PREMIUM RESERVE	
	2010 Options '000	2010 \$000	2009 Options '000	2009 \$000
Granted 2008				
Options exercisable at 10 cents expiring 31 Dec 2009	–	–	475	–
Options exercisable at 25 cents expiring 28 November 2012	450	330	450	330
Options exercisable at 50 cents expiring 17 March 2013	250	221	250	221
Options exercisable at 60 cents expiring 28 November 2012	450	254	450	254
Options exercisable at 70 cents expiring 17 March 2013	250	197	250	197
Options exercisable at \$1.00 expiring 17 March 2013	350	237	350	237
Options exercisable at \$1.50 expiring 17 March 2013	350	188	350	188
Options exercisable at \$1.55 expiring 28 May 2013	375	286	375	286
Options exercisable at \$1.85 expiring 28 May 2013	375	258	375	258
Options exercisable at \$2.05 expiring 28 May 2013	500	321	500	321
Granted 2009				
Cancelled executive options	–	6,332	–	6,332
Options exercisable at 50 cents expiring 7 July 2013	2,875	8,821	2,875	8,821
Options exercisable at 50 cents expiring 31 December 2012	1,875	238	1,875	238
	8,100	17,683	8,575	17,683
Granted 2010				
Employee share plan expense – apportionment of share rights over entitlement period	11,600	2,458	–	357
	19,700	20,141	8,575	18,040

Prior period cancelled executive options

When Mr Paul Jury and Mr Steve Matthews were appointed Directors they were granted the following series of options:

Option expiry date	Paul Jury Number (post share consolidation) '000	Steve Matthews Number (post share consolidation) '000	Exercise price
5-Sep-09	2,789	1,399	\$2.00
5-Mar-10	2,789	1,399	\$2.75
5-Sep-10	2,789	1,399	\$3.50

This was approved by shareholders at a General Meeting on 5 September 2008. Given the turmoil in global stock markets these options, which are short-term, no longer acted as the incentive for which they were intended. The options package was replaced by performance shares under the employee share plan at the General Meeting on 23 January 2009. Mr Jury and Mr Matthews were granted 3 million and 1.5 million performance shares respectively. The options were cancelled and fully expensed (\$6,332K) in the 2009 period.

Notes to the financial statements (cont.)

As at 30 June 2010

18 Contributed equity (continued)

g) Movement in options

Date	Details	Number of options '000	Issue Price	Amount \$
30/6/09	Opening balance	8,575	–	–
3/12/09	Option conversion	(160)	–	–
9/12/09	Option conversion	(279)	–	–
24/12/09	Option conversion	(36)	–	–
30/6/10	Balance	8,100		–

All of the options issued during the year were on the following terms. Exercise prices and expiry dates varied but are all those disclosed at 18(f) above.

- a) Each option will lapse if not exercised on or before the expiry date.
- b) Each option shall entitle the holder to subscribe for and to be allotted one share in the capital of the company upon exercise of the option and payment to the Company of the exercise price.
- c) An option may be exercised by the option holder at any time prior to the expiry date by sending a completed and signed notice of exercise, together with the payment of the Exercise Price and the statement for the option, to the Company's Share Registry. If the option holder holds more than one option the options may be exercised in whole or part.
- d) A notice of exercise is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.
- e) Subject to any restrictions in the ASX Listing Rules, within 14 day of receipt of a properly executed notice of exercise and the required application moneys, the number of shares specified in the notice will be allotted.
- f) Each statement will bear a suitable form of notice of exercise of the options, endorsed on the back of the statement, for completion by the option holder (if required). If the options comprised in any such statement are exercised in part only, before the expiry date, the Company will issue the option holder with a fresh statement for the balance of the options held and not yet exercised.
- g) The period during which the options may be exercised will not be extended.
- h) The option holder is not entitled to participate in new issues of securities offered to shareholders. The option holder can participate in new issues of securities offered to shareholders if the option is exercised before the relevant record date for that new issue.
- i) If, from time to time, before the expiry of the options, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a "bonus issue"), other than in lieu of a dividend payment, then, upon exercise of an option, the option holder will be entitled to have issued to it, in addition to the shares which it is otherwise entitled to have issued to it upon such exercise, additional shares in the Company. The number of additional shares is the number of shares which would have been issued to it under that bonus issue ("bonus shares") if on the date on which entitlements were calculated it had been registered as the holder of the number of shares which it would have been registered as holder if, immediately before that date, it had exercised its options. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank equally in all respects with the other shares allotted upon exercise of the options.
- j) In the event of any reconstruction (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any options, all rights of the option holder will be reconstructed (as appropriate) in accordance with the Listing Rules applying it a re-organisation of capital at the time of the re-organisation.
- k) Shares allotted pursuant to the exercise of the options will rank equally with the then issued shares of the Company.
- l) Other than as referred to above, the option does not confer the right to a change in exercise price, or a change to the number of underlying securities over which it can be exercised.

Notes to the financial statements (cont.)

As at 30 June 2010



19 Reserves and accumulated losses

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
a) Reserves		
Share based payment reserve	20,141	18,040
Foreign currency translation reserve	(116)	(28)
	20,025	18,012
Movement in reserves		
Share based payment reserve		
Balance at the beginning of the year	18,040	11,114
Premium in relation to Isicebi acquisition	–	237
Premium in relation to share based compensation written off	–	6,332
Employee share plan expense	2,101	357
Movement for the year	2,101	6,926
Balance at the end of the year	20,141	18,040
Foreign currency reserve		
Opening balance	(28)	(28)
Movement for the period	(88)	–
Balance at the end of the year	(116)	(28)
b) Retained earnings		
Opening balance	(26,202)	(11,050)
Loss for the year	(3,280)	(15,152)
Balance at the end of the year	(29,482)	(26,202)

20 Key management personnel disclosures

	CONSOLIDATED	
	2010 \$	2009 \$
a) Key management personnel disclosures		
Short-term employee benefits	1,076,117	958,994
Long-term benefits (superannuation)	162,432	282,832
Share-based payments	2,964,133	357,750
	4,202,682	1,599,576

Detailed remuneration disclosures are provided in sections 1-4 of the remuneration report on pages 11 to 16.

Notes to the financial statements (cont.)

As at 30 June 2010

19 Reserves and accumulated losses (continued)

b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on exercise of such options, can be found in section 4 of the remuneration report on pages 14 to 16.

(ii) Option holdings and performance shares

The number of options or performance shares over ordinary shares in the Company held during the financial year by each director of Resource Generation Limited, including their personally related parties, are set out below:

	Balance at the start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year
2010						
Directors						
Paul Jury	3,000,000	6,666,666	(3,000,000)	6,666,666	–	6,666,666
Steve Matthews	1,500,000	3,333,334	(1,500,000)	3,333,334	–	3,333,334
Scott Douglas	2,000,000	–	–	2,000,000	2,000,000	–
Other key management						
Hennie van den Aardweg	300,000	1,500,000	(300,000)	1,500,000	–	1,500,000
Micheline Collopy	–	50,000	–	50,000	–	50,000
Totals	6,800,000	11,550,000	(4,800,000)	13,550,000	2,000,000	11,550,000
2009						
Directors						
Paul Jury	–	3,000,000	–	3,000,000	–	3,000,000
Steve Matthews	–	1,500,000	–	1,500,000	–	1,500,000
Scott Douglas	2,000,000	–	–	2,000,000	2,000,000	–
Other key management						
Hennie van den Aardweg	–	300,000	–	300,000	–	300,000
Totals	2,000,000	4,800,000	–	6,800,000	2,000,000	4,800,000

Notes to the financial statements (cont.)

As at 30 June 2010



19 Reserves and accumulated losses (continued)

b) Equity instrument disclosures relating to key management personnel (continued)

(iii) Shareholdings

The number of shares in the company held during the financial year by each director of Resource Generation Limited, including their personally related parties, are set out below:

2010	Balance at the start of the year Shares	Received during the year on the exercise of options Shares	Other changes during the year Shares	Balance at the end of the year Shares
Directors				
Paul Jury	1,493,491	3,000,000	7,382,858	11,876,349
Steve Matthews	90,000	1,500,000	384,468	1,974,468
Scott Douglas	253,288	–	253,288	506,576
Toby Rose	4,000	–	4,000	8,000
Other key management				
Hennie van den Aardweg	–	300,000	–	300,000
Michelene Collopy	27,000	–	43,000	70,000
Totals	1,867,779	4,800,000	8,067,614	14,735,393
2009				
Directors				
Paul Jury	–	–	1,493,491	1,493,491
Steve Matthews	–	–	90,000	90,000
Scott Douglas	253,288	–	–	253,288
Toby Rose	–	–	4,000	4,000
Other key management				
Michelene Collopy	–	–	27,000	27,000
Totals	253,288	–	1,614,491	1,867,779

All Directors and key management detailed above participated fully in the rights issue per the offer of 23 June 2009 (refer Note 32) which was settled on 27 July 2009. Accordingly, the shareholdings for each individual increased on 27 July 2009. Paul Jury and Steve Matthews participated as sub-underwriters in the rights issue. All Directors' current holdings are disclosed in the Directors' Report on pages 9 to 10.

c) Other transactions with key management personnel

None.

Notes to the financial statements (cont.)

As at 30 June 2010

21 Remuneration of auditors

During the year the following fees were paid or are payable for services provided by the auditor of the Company:

	CONSOLIDATED	
	2010 \$	2009 \$
a) PricewaterhouseCoopers Australia		
Audit and review of financial reports	46,000	83,500
Taxation services (international tax consulting)	26,500	27,919
	72,500	111,419
b) Related practices of PricewaterhouseCoopers Australia		
Audit and review of financial reports	12,700	10,000
Company secretarial (South Africa)	–	6,070
	12,700	16,070
c) Non-PricewaterhouseCoopers audit firms		
Accounting services	7,335	2,800
	7,335	2,800

Somes & Cooke retired as auditors of the Company at the AGM on 6 November 2008. PricewaterhouseCoopers were subsequently appointed as auditors of the Company.

It is the Company's policy to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

22 Commitments

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
a) Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	151	119
Later than one year, but not later than 5 years	273	275
	424	394
Representing:		
Non-cancellable operating leases	424	394
	424	394

Notes to the financial statements (cont.)

As at 30 June 2010



22 Commitments (continued)

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
b) Remuneration commitments		
Commitments for the payment of remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	3,225	506
Later than one year, but not later than 5 years	–	–
	3,225	506
c) Mining licences		
Commitments for the exploration expenditure required to satisfy the mining licence requirements for the Tasmanian assets.		
Within one year	535	250
Later than one year, but not later than 5 years	2,065	2,600
	2,600	2,850

23 Related party transactions

a) Key management personnel

Disclosures relating to key management personnel are set out in Note 20 and the detailed remuneration disclosures to the Directors' Report.

b) Parent entities

The parent entity within the Group is Resource Generation Limited, and this is the ultimate parent company.

c) Subsidiaries

Interests in subsidiaries are set out in Note 24.

d) Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED	
	2010	2009
Sales of goods and services	–	–
Purchases of goods	–	–
Other transactions	–	–
Remuneration paid to directors of the ultimate Australian parent entity	3,472,757	1,220,561
Contributions to superannuation on behalf of employees	148,766	172,221
e) Loans to/from related parties		
Loans to subsidiaries		
Beginning of the year	–	–
Loans advanced	–	–
End of year	–	–

Notes to the financial statements (cont.)

As at 30 June 2010

24 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(b).

Name of entity	Country of incorporation	Class of shares	EQUITY HOLDING	
			2010 %	2009 %
Resgen Mauritius Limited	Mauritius	Ordinary	100	100
Resgen South Africa (Pty) Ltd (formerly Isicebi Carbon Mining (Pty) Ltd) – owned 100% by Resgen Mauritius Limited	South Africa	Ordinary	100	100
Resgen Africa Holdings Limited (formerly Apex Resources Holdings Inc)	Mauritius	Ordinary	100	100
Resgen Share Plan Pty Limited	Australia	Ordinary	100	100
Resgen Scrip Lending Pty Limited	Australia	Ordinary	100	–
Energy Investments Pty Limited	Australia	Ordinary	100	100
Tiger Coal Pty Limited	Australia	Ordinary	100	100
Uranex SA	Cameroon	Ordinary	80	80
Comdek Satellite Communications Pty Ltd	Australia	Ordinary	100	100

The parent company is Resource Generation Limited. The subsidiaries are controlled by Resource Generation Limited and the subsidiaries are fully consolidated from the date on which control passed to the group.

25 Interest in joint ventures

a) Jointly controlled entity

- (i) A subsidiary has entered into a joint venture to develop coal deposits in the Waterberg region of South Africa, with a 20% participating interest in Waterberg One Coal (Pty) Limited. Expenditure of A\$5.000m increases the joint venture ownership from 20% to 70%. The Group's interest in the joint venture are included in the consolidated balance sheet, in accordance with the accounting policy described in Note 1(b), under the following classifications.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Non-current assets		
Mining tenements and exploration	5,814	3,732
	5,814	3,732

- (ii) A subsidiary has entered into a joint venture to develop coal deposits in the Waterberg region of South Africa, with a 49% participating interest in Ledjadja Coal (Pty) Limited. With expenditure of ZAR 20.000m the company is now entitled to increase its joint venture ownership from 49% to 65% and further rights to 74%. It is expected that the issue of shares to reflect this increase in ownership to 65% will be issued during the September 2010 quarter. The Group's interest in the joint venture are included in the consolidated balance sheet, in accordance with the accounting policy described in Note 1(b), under the following classifications.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Non-current assets		
Mining tenements and exploration	3,524	421
	3,524	421

Notes to the financial statements (cont.)

As at 30 June 2010



26 Minority interest

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Interest in:		
Share capital	–	–
Retained profits	(28)	(28)
	(28)	(28)

The minority interest represents the 20% interest in Uranex SA held by external parties.

27 Dividends

There were no dividends recommended or paid during the financial year.

28 Contingent liabilities

With the acquisition of the Tasmanian coal tenements, through Tiger Coal Pty Limited, on 9 October 2008 a second tranche payment will be made to the vendors of Tiger Coal Pty Limited if an inferred JORC resource of 79.000 million tonnes is identified within two years of the date of acquisition. If this condition is met a further 1.500 million shares will be issued. No drilling is planned on these tenements at this time so this condition is unlikely to be met.

With the acquisition of land for the Boikarabelo mine infrastructure the Group has purchased various properties. For four of these properties the vendor holds the right to lease the properties for game ranching purposes. The Group has undertaken to purchase any remaining animal stock at the end of the lease. Details of the commitments are as follows.

Property	Lease expiry	Valuation method	Stock Valuation R'000	Stock Valuation \$A 000	Valuation date
Kruishout	28-Aug-11	Stock purchase price to be determined by market related agreement or Stock valuer. The company has also agreed to cover any reasonable transfer related costs of stock during the lease period.	1,320	202	1-Jul-09
Vischpan, Bitterfontein & Wildebeesvlakte	9-Sep-11	Stock purchase price to be determined at prices equal to the average 2009 game prices. Whilst stock prices increased by 50% in 2009 it is expected that the vendor will run down stock levels as part of their game hunting activities. The company has also agreed to cover any reasonable transfer related costs of stock during the lease period.	13,148	2,012	1-Sep-09
			14,468	2,214	

It is the company's intention to arrange for the simultaneous purchase and sale of the animal stock at the end of the respective leases. Given the indeterminate stock levels at the end of the leases the company has not recognised any liability in relation to this undertaking.

29 Events occurring after the reporting period

The company completed its secondary listing on the Johannesburg Stock Exchange on 14 July 2010.

Notes to the financial statements (cont.)

As at 30 June 2010

30 Reconciliation of profit after income tax to net cash outflow from operating activities

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Loss for the year	(3,280)	(15,152)
Depreciation	92	69
Loss on disposal of property, plant and equipment	–	72
Share option expense	2,965	6,690
Foreign exchange movement	(121)	–
Provision for investment diminution – Uranex	–	164
Provision for investment diminution – Tasmanian assets	–	6,925
Changes in operating assets and liabilities:		
Increase in trade and other payables	(1,024)	110
Increase in accounts receivable, prepayments and stock	1,221	(56)
Net cash outflow from operating activities	(147)	(1,178)

31 Earnings per share

	CONSOLIDATED	
	2010 Cents	2009 Cents
a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(2.2)	(21.2)
Loss from discontinued operations	–	–
Total basic earnings per share attributable to the ordinary equity holders of the company	(2.2)	(21.2)
b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(2.2)	(21.2)
Loss from discontinued operations	–	–
Total diluted earnings per share attributable to the ordinary equity holders of the company	(2.2)	(21.2)
c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3,280)	(15,146)
Loss from discontinued operations	–	(6)
	(3,280)	(15,152)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3,280)	(15,146)
Loss from discontinued operations	–	(6)
	(3,280)	(15,152)

Notes to the financial statements (cont.)

As at 30 June 2010



31 Earnings per share (continued)

	CONSOLIDATED	
	2010	2009
d) Weighted average number of shares used as the denominator		
Weighted number of ordinary shares used as the denominator in calculating basic earnings per share	153,541,119	71,408,644
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	153,541,119	71,408,644

e) Information concerning the classification of securities

Options

Options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

32 Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	PARENT	
	2010 \$'000	2009 \$'000
Balance Sheet		
Current assets	3,828	4,381
Total assets	90,300	61,329
Current Liabilities	328	335
Total Liabilities	4,254	4,231
Shareholders' equity		
Issued capital	98,445	65,376
Reserves		
Option premium reserve	17,683	17,683
Employee share rights reserve	2,458	357
Foreign currency translation reserve	(116)	(28)
Retained earnings	(28,713)	(26,290)
Total equity	89,757	57,098
Profit/(loss) for the year	(2,423)	(15,240)
Total comprehensive income	(2,296)	(15,268)

b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees.

c) Contingent liabilities of the parent entity

The parent entity's contingent liabilities are disclosed at Note 28. For information about guarantees given by the parent entity, please see above.

d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 8 to 58 are in accordance with The *Corporations Act 2001*, including:
 - (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Standards Board.

The directors have been given the declaration by the Managing Director and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Paul Jury
Managing Director

Sydney
19 August 2010

Independent auditor's report



PricewaterhouseCoopers
ABN 52 780 433 757

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Independent auditor's report to the members of Resource Generation Limited

Report on the financial report

We have audited the accompanying financial report of Resource Generation Limited (the company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Resource Generation Group (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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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Independent auditor's report to the members of Resource Generation Limited (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Resource Generation 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 2010 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 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 16 of the directors' report for the year ended 30 June 2010. 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.

Auditor's opinion

In our opinion, the remuneration report of Resource Generation Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Feely
Partner

Sydney
19 August 2010

ASX additional information



Additional information required by the Australian Securities Exchange Limited and not disclosed elsewhere in this report is set out below.

a) Substantial shareholders

There were five substantial shareholders at 13 August 2010:

Commonwealth Bank of Australia and its subsidiaries	12,897,627	shares	7.84%
CVC Limited	12,104,677	shares	7.36%
Scodella Inc	12,092,598	shares	7.36%
Paul John Jury	11,876,340	shares	7.22%
PAPY Pty Limited ATF YAPP Trust	8,876,350	shares	5.40%

b) Voting rights

Ordinary shares

On a show of hands every member present at a meeting shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options.

c) Distribution of equity security holders

Category	Number of Holders	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	598	341,734	0.21
1,001 – 5,000	889	2,513,770	1.53
5,001 – 10,000	476	3,964,637	2.41
10,001 – 100,000	840	28,465,041	17.31
100,001 and over	169	129,127,295	78.54
Total	2,972	164,412,477	100.00

There were 435 holders of less than a marketable parcel of shares.

ASX additional information (cont.)

d) Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

As at 13 August 2010.

Holder name	Ordinary Fully Paid Shares	% Issued Capital
Citicorp Nominees Pty Limited	13,686,592	8.33
CVC Limited	12,104,676	7.36
Scodella Inc	11,492,598	6.99
P A P Y Pty Limited <YAPP A/C>	8,876,349	5.40
National Nominees Limited	6,069,184	3.68
Resgen Scrip Lending Pty Limited	5,000,000	3.04
Resgen Share Plan Pty Limited	4,800,000	2.92
ANZ Nominees Limited <Cash Income A/C>	4,082,550	2.48
Balzac Investments Pty Ltd	3,766,280	2.29
HSBC Custody Nominees (Australia) Limited	2,169,490	1.32
Oak Nominees Limited	2,000,000	1.22
Australian Reward Investment Alliance	1,968,197	1.20
Leagou Funds Management Pty Limited	1,753,000	1.07
Istana Securities Limited	1,712,960	1.04
Mr David James Porter	1,475,306	0.90
Chemical Trustee Limited	1,250,000	0.76
Mr Phillip Edward Chaplin	1,200,000	0.73
Vernon Finance Limited	1,150,000	0.70
J P Morgan Nominees Australia Limited	1,145,139	0.70
S M & R W Brown Pty Ltd <Robert & Sally Brown SF A/C>	1,100,000	0.67
Total	86,802,321	52.80

Mining tenements



Location	Tenement	Holder	Interest	Area (approx km ²)
South Africa (Waterberg)				
Koert Louw Zyn Pan (Waterberg #1)	PR678/2007	Lukale Mining Company (Pty) Limited	20% ¹	14
Lisbon (Waterberg #2)	PR720/2007	Lukale Mining Company (Pty) Limited	20% ¹	8
Zoetfontein (Waterberg #3)	PR720/2007	Lukale Mining Company (Pty) Limited	20% ¹	10
Witkopje (Ledjadja #1)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	18
Draai Om (Ledjadja #2)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	11
Kalkpan (Ledjadja #3)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	13
Kruispad (Ledjadja #4)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	11
Zeekeovley (Ledjadja #5)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	13
Vischpan (Ledjadja #6)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	12
Kruishout (Ledjadja #7)	PR679/2007	Ledjadja Coal (Pty) Limited	49% ²	12

Tasmania

Bonnie's Tier (Latrobe)	EL 64/2007	Energy Investments Pty Limited	100%	161
Tunbridge (Woodbury)	EL 65/2007	Energy Investments Pty Limited	100%	237
Lake Tiberius (Jericho East)	EL 25/2008	Tiger Coal Pty Limited	100%	203
Melton Mowbray (Jericho West)	EL 26/2008	Tiger Coal Pty Limited	100%	220
Oatlands (Jericho North)	EL 41/2008	Tiger Coal Pty Limited	100%	128

Uranium Tenements

Location	Tenement	Holder	Interest	Area (approx km ²)
Cameroon (Nki)	RP N107	Uranex SA	80%	991
Cameroon (Monguele)	RP N108	Uranex SA	80%	980
Cameroon (Badekok)	RP N109	Uranex SA	80%	964

¹ Resource Generation Limited has the right to increase its interest to 70% upon the expenditure of A\$5 million.

² Resource Generation Limited will increase its interest from 49% to 65% upon the expenditure of ZAR20 million and further rights to 74%. As this expenditure has now been reached the shares to reflect this increase to 65% will be issued during the September 2010 quarter.

Corporate directory

Directors

Scott Douglas
Paul Jury
Stephen Matthews
Geoffrey (Toby) Rose

Company Secretary

Stephen Matthews

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Bankers

St George Bank Limited
The Standard Bank of South Africa Limited
Standard Bank (Mauritius) Limited

Registered Office

Level 12, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Telephone: +61 2 9376 9000
Facsimile: +61 2 9376 9013
Website: www.resgen.com.au

Share Registry

Registries Limited
Level 7
207 Kent Street
Sydney NSW 2000

Investor Enquiries: +61 2 9290 9600
Facsimile: +61 2 9279 0664

Transfer Secretaries

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg 2001
South Africa

Stock Exchange Listing

Securities of Resource Generation Limited are listed on the Australian Stock Exchange and the Johannesburg Stock Exchange.
ASX Code: RES
JSE Code: RSG

JSE Sponsor

Deloitte & Touche Sponsor Services (Pty) Limited
Building 6, The Woodlands
20 Woodlands Drive
Woodmead, Sandton 2196
South Africa

Annual General Meeting

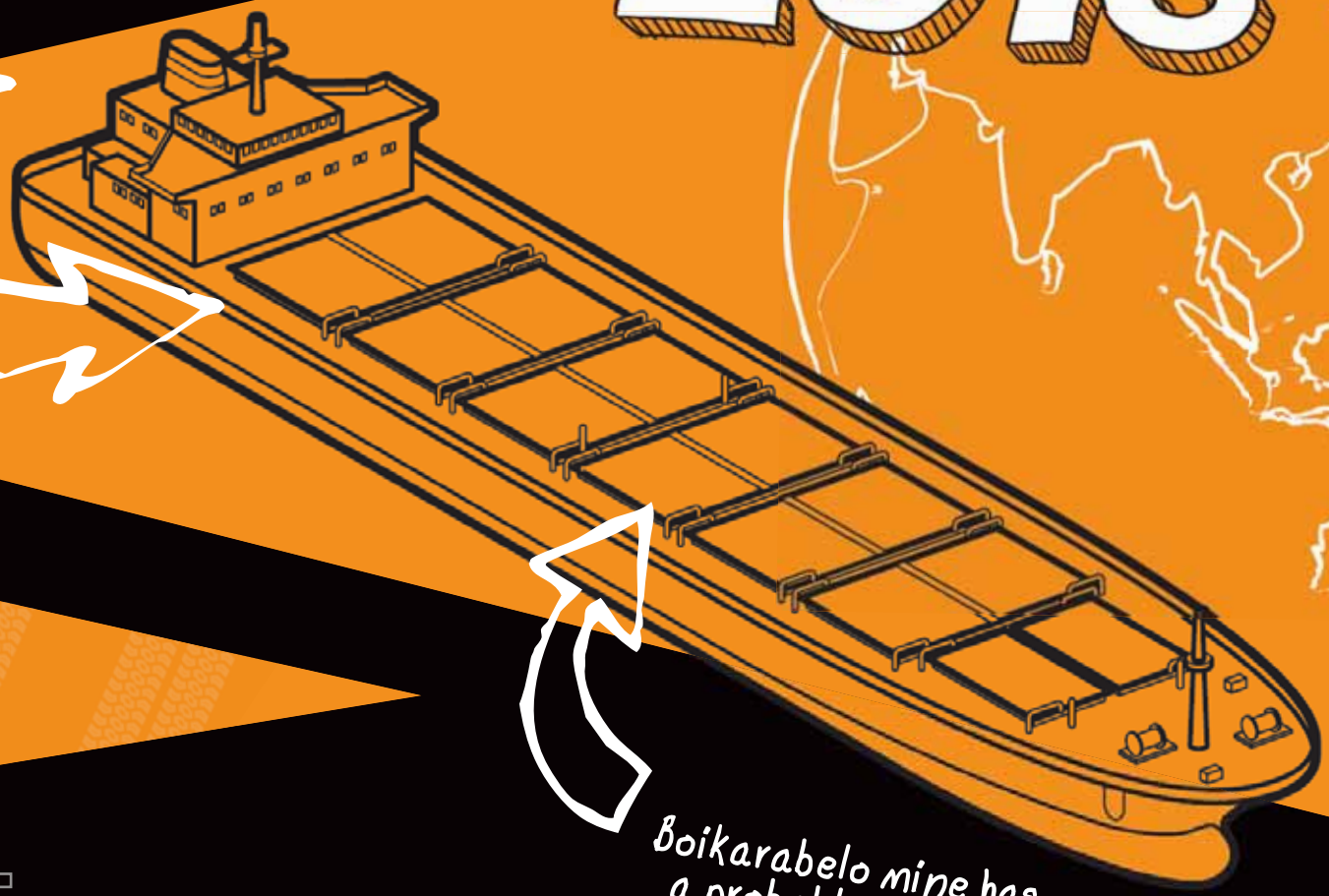
The Annual General Meeting of the Company will be held on Wednesday 27 October 2010 at 10:00am at Radisson Plaza Hotel, 27 O'Connell Street, Sydney



resource
generation

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2013



Boikarabelo mine has
a probable reserve
equivalent to 5,000 Capesize
ships worth of coal