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## RESOURCE GENERATION LIMITED

ABN 91 059 950 337

## NOTICE OF GENERAL MEETING

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**TIME:** 10.00am

**DATE:** Friday, 23 January 2009

**PLACE:** Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (02) 9376 9000.*

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## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

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### **VENUE**

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A General Meeting of the Shareholders of Resource Generation Limited will be held at 10.00am (Sydney time) on 23 January 2009 at:

Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW.

### **YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

### **VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

### **VOTING BY PROXY**

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#### **Proxies**

Please note that:

- (a) a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) deliver the proxy form:
  - (i) by hand to the Company's share registry, Registries Limited at Level 7, 207 Kent Street, Sydney NSW 2000; or
  - (ii) by post to Registries Limited, GPO Box 3993, Sydney NSW 2001; or
- (b) fax the proxy form to Registries Limited on facsimile number (61 2) 9279 0664.

so that it is received not later than 10.00 am on 21 January 2009. Proxy forms received later than this time will be invalid.

**Your proxy form is enclosed as a separate document.**

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## NOTICE OF GENERAL MEETING

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Notice is given that a General Meeting of Shareholders of Resource Generation Limited will be held at 10.00 am (Sydney time) on 23 January 2009 at Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 21 January 2009.

## AGENDA

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### 1. APPROVAL OF SHARE AND OPTION ISSUES UNDER ASX LISTING RULES 7.1 AND 7.4

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rules 7.1 and 7.4 and for all other purposes, approval is given for the Company to allot and issue 37,500,000 shares and 18,750,000 \$0.05 options to Neil Owen Strydom, the vendor of Isicebi Carbon Mining (Pty) Ltd, or his nominee for the purposes and on the terms and conditions set out in the Explanatory Statement."*

Brief Explanation: This resolution was approved by shareholders at a General Meeting held on 10 March 2008. The shares are to be issued once certain milestones are reached, which are scheduled to occur on 4 January 2009. As this is greater than 3 months after 10 March 2008, as per the requirements of ASX Listing Rule 7.3, shareholders are being asked to approve this transaction again.

#### Voting Exclusion Statement – Resolution 1

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on Resolution 1 by:

- Neil Owen Strydom; and
- By any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 1 is passed and an associate of those persons or of the entities listed above.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## 2. APPROVAL OF SHARE ISSUE UNDER ASX LISTING RULE 7.4

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4, the Company approves and ratifies the issue of 7,500,000 fully paid ordinary shares to Trident Capital Pty Ltd and Titus Investments Pty Ltd on the terms set out in the Explanatory Statement."*

Brief Explanation: This resolution was approved by shareholders at a General Meeting held on 26 May 2008. The shares were issued once certain milestones were reached, which occurred on 9 October 2008. As this is greater than 3 months after 26 May 2008, as per the requirements of ASX Listing Rule 7.3, shareholders are being asked to approve this transaction again.

### **Voting Exclusion Statement – Resolution 2**

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on Resolution 2 by:

- Trident Capital Pty Ltd;
- Titus Investments Pty Ltd; and
- By any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 2 is passed and an associate of those persons or of the entities listed above.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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### 3. APPROVAL OF SHARE ISSUE UNDER ASX LISTING RULE 7.4

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4, the Company approves and ratifies the issue of 1,231,756 fully paid ordinary shares to Merrill Lynch Australia Nominees Pty Ltd on the terms set out in the Explanatory Statement."*

Brief Explanation: An equity placement at 18 cents per share was made on 15 August 2008 with the shares placed with a broad portfolio of institutional and sophisticated investors. A total of 51,231,756 shares were placed of which 50,000,000 had been approved by shareholders at a General Meeting held on 26 May 2008. This resolution applies to the balance of 1,231,756 shares, which was part of the placement subscribed for by the broad portfolio of institutional and sophisticated investors.

#### **Voting Exclusion Statement – Resolution 3**

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on Resolution 3 by:

- Merrill Lynch Australia Nominees Pty Ltd; and
- By any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 3 is passed and an associate of those persons or of the entities listed above.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**4. ISSUE OF PERFORMANCE RIGHTS TO MR PAUL JURY, MANAGING DIRECTOR, UNDER THE EMPLOYEE SHARE PLAN**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, for all purposes including ASX Listing Rule 10.14, the Company be authorised, pursuant to the Employee Share Plan approved by shareholders at the AGM held on 6 November 2008, to grant 30,000,000 share rights to Mr. Paul Jury, Managing Director, and to issue to him 30,000,000 fully paid ordinary shares in the Company following the valid exercise of any such rights, in accordance with the Employee Share Plan rules and subject to the conditions set out in the Explanatory Statement."*

Brief Explanation: These performance shares are designed to replace the previously approved option package, which no longer acts an incentive, given the turmoil in global stock markets. Subject to the approval of this Resolution 4, the board has agreed with Mr Jury that these options will be cancelled.

**Voting Exclusion Statement – Resolution 4**

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on Resolution 4 by:

- Paul John Jury;
- All directors of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- By any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 4 is passed and an associate of those persons or of the entities listed above.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**5. ISSUE OF PERFORMANCE RIGHTS TO MR STEVE MATTHEWS, EXECUTIVE DIRECTOR, UNDER THE EMPLOYEE SHARE PLAN**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, for all purposes including ASX Listing Rule 10.14, the Company be authorised, pursuant to the Employee Share Plan approved by shareholders at the AGM held on 6 November 2008, to grant 15,000,000 share rights to Mr. Steve Matthews, Executive Director, and to issue to him 15,000,000 fully paid ordinary shares in the Company following the valid exercise of any such rights, in accordance with the Employee Share Plan rules and subject to the conditions set out in the Explanatory Statement."*

Brief Explanation: These performance shares are designed to replace the previously approved option package, which no longer acts an incentive, given the turmoil in global stock markets. Subject to the approval of this Resolution 5, the board has agreed with Mr Matthews that these options will be cancelled.

**Voting Exclusion Statement – Resolution 5**

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on Resolution 5 by:

- Stephen James Matthews;
- All directors of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- By any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 5 is passed and an associate of those persons or of the entities listed above.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**6. CONSOLIDATION OF CAPITAL**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, in accordance with section 254H of the Corporations Act, ASX Listing Rules 7.20 and 7.22, the Company's Constitution and for all other purposes, approval be and is hereby given to the consolidation of the shares and options in the Company as at the Record Date on a 1 for 10 basis as set out in the Explanatory Statement, with any fractional entitlements being rounded down to the nearest whole number. The Record Date will be 5 business days from the date of the General Meeting at which this resolution is passed."*

Brief Explanation: The consolidation will apply to all shares and options in existence at the Record Date. This will include the performance rights in Resolutions 4 and 5, if approved, and shares and options to be issued under Resolution 2 if they have not been issued by the Record Date.

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**7. EXPLANATORY STATEMENT**

The accompanying Explanatory Statement forms part of this Notice of General Meeting and should be read in conjunction with it.

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**8. VOTING ENTITLEMENTS**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person as set out in the register of Shareholders as at 5.00 pm (Sydney time) on 21 January 2009. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the General Meeting.

**DATED: This 18<sup>th</sup> day of December 2008**  
**BY ORDER OF THE BOARD**

**STEVE MATTHEWS**  
**COMPANY SECRETARY**



# **EXPLANATORY STATEMENT TO SHAREHOLDERS**

## **RESOURCE GENERATION LIMITED (ACN 059 950 337)**

### **EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at 10.00 am (Sydney time) on Friday 23 January 2009 at Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### **1. RESOLUTIONS 1, 2 AND 3 – APPROVAL OF SHARE AND OPTION ISSUES UNDER ASX LISTING RULES 7.1 AND 7.4**

ASX Listing Rule 7.1 allows the Company to issue new securities up to 15% of the existing issued capital of the company without prior approval of shareholders in any 12 month period, subject to certain adjustments and permitted exceptions.

Under ASX Listing Rule 7.4, shareholders may subsequently approve the issue of securities made within the limitation of ASX Listing Rule 7.1. The Company is seeking this approval under these Resolutions 1, 2 and 3.

Following these approvals, the Company will again be able to issue new securities in such number up to 15% of the existing issued capital without the prior approval of shareholders. The Company believes that providing this flexibility is a prudent decision to make.

#### **1.1 Resolution 1 – Vendor of Isicebi Carbon Mining (Pty) Ltd**

At a General Meeting held on 10 March 2008, shareholders approved the acquisition of Isicebi Carbon Mining (Pty) Ltd, which transaction included the issue of a second tranche of consideration to Neil Owen Strydom, the vendor of Isicebi, or his nominees. This second tranche of consideration was to be paid the earlier of six months from completion of the Share Sale Agreement or completion of a positive scoping study by Isicebi.

Completion of the Share Sale Agreement occurred on 4 July 2008 and the second tranche of consideration becomes payable by 4 January 2009. By the time the General Meeting is held on 23 January 2009, the Company expects to have issued the 37,500,000 shares and 18,750,000 options to the vendor or his nominees.

ASX Listing Rule 7.3 requires any security issues approved by shareholders in general meeting to be undertaken within 3 months of the date of the meeting. As these shares and options are not due to be issued until 4 January 2009, this is outside the 3 month requirement. Resolution 2 requires shareholders to approve this issue of shares again, reconfirming the approval given previously on 10 March 2008.

The following information is provided in relation to the issue of the securities pursuant to and in accordance with ASX Listing Rule 7.3:

- (a) the maximum number of securities to be issued is 37,500,000 Shares and 18,750,000 \$0.05 Options;
- (b) the Shares and \$0.05 Options will be issued to Neil Owen Strydom or his nominee(s);
- (c) the Shares and \$0.05 Options will be issued for nil cash consideration and the \$0.05 will be exercisable at \$0.05;
- (d) the Shares and \$0.05 Options will be issued no later than 3 months after the date of the Meeting (or such later date as permitted by any waiver or modification to the ASX Listing Rule) and it is intended that allotment will occur on the same date. The shares and options may be issued prior to the Meeting;
- (e) the allottee will be Mr Neil Owen Strydom or his nominee(s);
- (f) the Shares issued will rank equally with Existing Shares on issue and the \$0.05 Options, once converted, will rank equally with the Existing Shares;
- (g) no funds will be raised from the issue of the Shares and \$0.05 Options as they are being issued in part consideration for the acquisition of Isicebi Carbon Mining (Pty) Ltd by the Company from Neil Owen Strydom;
- (h) funds raised from the exercise of the Options will be applied to the working capital requirements of the Company;
- (i) the terms and conditions of the Options are contained in Annexure A of this Explanatory Statement;
- (j) a voting exclusion statement is contained in the Notice.

## **1.2 Resolution 2 – Facilitators of Energy Investments Limited Acquisition**

At a General Meeting held on 26 May 2008, shareholders approved the acquisition of Energy Investments Limited, which transaction included the issue of 7,500,000 shares to the facilitators of the acquisition, being Trident Capital Pty Ltd or its nominees. The shares were to be issued on the date of settlement of the acquisition.

The acquisition of Energy Investments Limited occurred on 9 October 2008 after the Tasmanian Department of Infrastructure, Energy and Resources had awarded two exploration licences to Energy Investments Limited. The Company issued 3,750,000 shares to Trident Capital Pty Ltd and 3,750,000 shares to Titus Investments Pty Ltd on 9 October 2008 for nil consideration.

ASX Listing Rule 7.3 requires any security issues approved by shareholders in general meeting to be undertaken within 3 months of the date of the meeting. As these shares were issued on 9 October 2008, this is outside the 3 month requirement. Resolution 3 requires shareholders to approve this issue of shares again, reconfirming the approval given previously on 26 May 2008.

### 1.3 Resolution 3 – Placement Shares

An equity placement at 18 cents per share was made on 15 August 2008 with the shares placed with a broad portfolio of institutional and sophisticated investors. A total of 51,231,756 shares were placed of which 50,000,000 had been approved by shareholders at a General Meeting held on 26 May 2008. This resolution applies to the balance of 1,231,756 shares, the issue of which had not been approved by shareholders.

The proceeds of the placement are being used for exploration, operating expenses and for working capital

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## 2. RESOLUTION 4 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO MR PAUL JURY, MANAGING DIRECTOR, UNDER THE EMPLOYEE SHARE PLAN

Shareholder approval is sought for the grant of 30,000,000 share rights to Mr. Paul Jury, Managing Director, and to issue 30,000,000 fully paid ordinary shares in the Company following the valid exercise of such rights, in accordance with the Employee Share Plan Rules. This grant is subject to the conditions set out below. Shareholder approval is required under ASX Listing Rule 10.14 because Mr. Jury is a director of the Company. The 30,000,000 share rights are pre the consolidation proposed by Resolution 6. If Resolution 6 is approved, the award will be 3,000,000 share rights post consolidation.

### Reasons for the grant of performance rights

The Board believes that Mr Jury is a highly accomplished executive and is key to the Company's ongoing growth and success. The resources sector is a highly competitive market for key executive talent. The board, therefore, considers a market competitive long term equity incentive is an essential component of Mr Jury's compensation arrangements, to help motivate and retain him.

When Mr Jury was appointed a director on 15 July 2008, the Company granted him the following series of options:

Option Expiry Date	Number	Exercise Price
5 September 2009	27,980,878	\$0.20
5 March 2010	27,980,878	\$0.275
5 September 2010	27,980,878	\$0.35

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 act as the incentive for which they were intended. Subject to the approval of this Resolution 4, the board has agreed with Mr Jury that these options will be cancelled.

Your board has selected performance rights as the appropriate equity instrument to deliver the equity incentive for three main reasons. Firstly, the grant of the shares is linked to key development milestones that will contribute value for the Company and aren't subject to achievements based on stock market fluctuations, which are outside the executive's control. Secondly, performance rights are less dilutive than a market or premium priced option alternative and

thirdly, as there is no cost to exercising the rights, there is no requirement for Mr Jury to sell the share rights or the resulting shares to fund the acquisition of the shares on any exercise, as would be the case with a market or premium priced option alternative.

#### **Price of share rights**

No payment from Mr Jury will be required for him to receive or exercise the share rights.

#### **First exercise date for rights**

The share rights are exercisable on the fulfilment of the service vesting condition and performance conditions set out below or where a special circumstance, such as a takeover, may arise allowing an earlier exercise.

#### **Last exercise date for rights**

All rights will lapse automatically if not exercised 60 months after the date of issue of the rights.

#### **The date of grant of rights**

If approved, the rights, up to the amount approved, will be issued to Mr Jury within 90 days of the approval.

#### **Service vesting condition**

Share rights granted under the Share Plan to Mr Jury will be subject to him still being employed by the Company at the time the performance conditions are satisfied.

#### **Performance conditions**

The board believes that performance conditions are an important component of equity incentives. The performance conditions to be imposed in order to exercise the proposed share rights are designed to provide both motivation to perform and a retention incentive.

The key performance indicators for the award of all of the shares are the achievement of the following by 31 December 2009:

- Exploration and evaluation of the Waterberg tenements to be sufficiently advanced to allow determination of a JORC reserve, which would require as a pre-condition the development of an open cut mine plan suitable for inclusion in a bankable feasibility study; and
- Completion of a preliminary bankable feasibility study, which by its nature provides a definition of material project risks and a sufficient economic result to justify a mine development.

#### **Performance Period**

The performance condition must be achieved over the period from the date of grant to 31 December 2009. Any unvested rights at 31 December 2009 will lapse.

## Number of performance rights to be issued to Mr Jury in the context of total remuneration

The total value and mix of Mr. Jury's remuneration has been evaluated using benchmark data of comparable positions and comparable companies. The board is of the opinion that Mr. Jury's remuneration is within market and competitive. Furthermore, with 729,758,093 ordinary shares on issue, the possible issue of 30,000,000 ordinary shares will not have a significant dilutionary effect for the Company's shareholders.

### Other information

An associated entity of Mr Jury has subscribed previously for 14,934,911 ordinary shares at 18 cents per share. If 30,000,000 shares are issued, Mr Jury's relevant interest would be approximately 5.5% of the Company.

Mr Jury and Mr Matthews are the only directors who are entitled to participate in the Share Plan. Details of any options and/or shares issued under the Share Plan will be published in each annual report of the Company relating to the period in which options or shares have been issued, and that approval for the issue of options or shares was obtained under ASX Listing Rule 10.14. No securities have been approved for issue under ASX Listing Rule 10.14 to date.

The non-executive directors recommend that shareholders vote in favour of this resolution.

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### 3. **RESOLUTION 5 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO MR STEVE MATTHEWS, EXECUTIVE DIRECTOR, UNDER THE EMPLOYEE SHARE PLAN**

Shareholder approval is sought for the grant of 15,000,000 share rights to Mr. Steve Matthews, Executive Director, and to issue 15,000,000 fully paid ordinary shares in the Company following the valid exercise of such rights, in accordance with the Employee Share Plan Rules. This grant is subject to the conditions set out below. Shareholder approval is required under ASX Listing Rule 10.14 because Mr. Matthews is a director of the Company. The 15,000,000 share rights are pre the consolidation proposed by Resolution 6. If Resolution 6 is approved, the award will be 1,500,000 share rights post consolidation.

#### Reasons for the grant of performance rights

The Board believes that Mr Matthews is a highly accomplished executive and is key to the Company's ongoing growth and success. The resources sector is a highly competitive market for key executive talent. The board, therefore, considers a market competitive long term equity incentive is an essential component of Mr Matthews' compensation arrangements, to help motivate and retain him.

When Mr Matthews was appointed a director on 15 July 2008, the Company granted him the following series of options:

Option Expiry Date	Number	Exercise Price
5 September 2009	13,990,439	\$0.20
5 March 2010	13,990,439	\$0.275
5 September 2010	13,990,439	\$0.35

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 act as the incentive for which they were intended. Subject to the approval of this Resolution 5, the board has agreed with Mr Matthews that these options will be cancelled.

Your board has selected performance rights as the appropriate equity instrument to deliver the equity incentive for three main reasons. Firstly, the grant of the shares is linked to key development milestones that will contribute value for the Company and aren't subject to achievements based on stock market fluctuations, which are outside the executive's control. Secondly, performance rights are less dilutive than a market or premium priced option alternative and thirdly, as there is no cost to exercising the rights, there is no requirement for Mr Matthews to sell the share rights or the resulting shares to fund the acquisition of the shares on any exercise, as would be the case with a market or premium priced option alternative.

### **Price of share rights**

No payment from Mr Matthews will be required for him to receive or exercise the share rights.

### **First exercise date for rights**

The share rights are exercisable on the fulfilment of the service vesting condition and performance conditions set out below or where a special circumstance, such as a takeover, may arise allowing an earlier exercise.

### **Last exercise date for rights**

All rights will lapse automatically if not exercised 60 months after the date of issue of the rights.

### **The date of grant of rights**

If approved, the rights, up to the amount approved, will be issued to Mr Jury within 90 days of the approval.

### **Service vesting condition**

Share rights granted under the Share Plan to Mr Matthews will be subject to him still being employed by the Company at the time the performance conditions are satisfied.

### **Performance conditions**

The board believes that performance conditions are an important component of equity incentives. The performance conditions to be imposed in order to exercise the proposed share rights are designed to provide both motivation to perform and a retention incentive.

The key performance indicators for the award of all of the shares are the achievement of the following by 31 December 2009:

- Exploration and evaluation of the Waterberg tenements to be sufficiently advanced to allow determination of a JORC reserve, which would require as a pre-condition the development of an open cut mine plan suitable for inclusion in a bankable feasibility study; and

- Completion of a preliminary bankable feasibility study, which by its nature provides a definition of material project risks and a sufficient economic result to justify a mine development.

### **Performance Period**

The performance condition must be achieved over the period from the date of grant to 31 December 2009. Any unvested rights at 31 December 2009 will lapse.

### **Number of performance rights to be issued to Mr Matthews in the context of total remuneration**

The total value and mix of Mr. Matthews' remuneration has been evaluated using benchmark data of comparable positions and comparable companies. The board is of the opinion that Mr. Matthews' remuneration is within market and competitive. Furthermore, with 729,758,093 ordinary shares on issue, the possible issue of 15,000,000 ordinary shares will not have a significant dilutionary effect for the Company's shareholders.

### **Other information**

An associated entity of Mr Matthews has subscribed previously for 500,000 ordinary shares at 18 cents per share and acquired a further 400,000 shares on market. If 15,000,000 shares are issued, Mr Matthews' relevant interest would be approximately 2.0% of the Company.

Mr Jury and Mr Matthews are the only directors who are entitled to participate in the Share Plan. Details of any options and/or shares issued under the Share Plan will be published in each annual report of the Company relating to the period in which options or shares have been issued, and that approval for the issue of options or shares was obtained under ASX Listing Rule 10.14. No securities have been approved for issue under ASX Listing Rule 10.14 to date.

The non-executive directors recommend that shareholders vote in favour of this resolution.

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## **4. RESOLUTION 6 – CONSOLIDATION OF CAPITAL**

It is proposed that the issued capital of the Company be altered by consolidating the securities on a 1 for 10 basis. The Record Date for determining the consolidation of capital will be 5 business days after the date of the General Meeting at which the resolution is passed. Any fractional entitlements as a result of holdings not being evenly divisible by 10 will be rounded down to the nearest whole number.

Section 254H of the Corporations Act enables a company to convert all or any of its shares by a resolution passed at a general meeting. The conversion proposed by Resolution 1 is permitted under Section 254H of the Corporations Act.

The consolidation will not result in any change to the substantive rights and obligations of existing shareholders or optionholders of the Company. The purpose of the consolidation of the issued capital of the Company is to reduce the number of securities on issue. For example, a shareholder currently holding 10,000 shares will, as a result of the consolidation hold 1,000 shares and an optionholder currently holding 10,000 options exercisable at 5 cents will, as a result of the consolidation hold 1,000 options exercisable at 50cents.

The Company's paid up capital, balance sheet and tax position will remain unaltered as a result of the consolidation.

#### 4.1 Fully Paid Shares

At the date of this Explanatory Statement, the Company has 729,758,093 shares on issue. The consolidation on a 1 for 10 basis will reduce the number of fully paid shares on issue to approximately 72,975,809 shares.

#### 4.2 Options

The ASX Listing Rules and the Constitution require the Company to consolidate the number of options on issue in the same 1 for 10 ratio with the exercise price being amended in inverse proportion to that ratio. Accordingly, the options will be consolidated as follows:

Option Expiry Date (Unchanged)	Proposed Consolidation of Options			
	Pre Consolidation		Post Consolidation	
	Number	Exercise Price	New Number	Exercise Price
31 December 2009	8,180,959	\$0.01	818,095	\$0.10
7 July 2011	10,000,000	\$0.05	1,000,000	\$0.50
28 November 2012	4,500,000	\$0.025	450,000	\$0.25
28 November 2012	4,500,000	\$0.06	450,000	\$0.60
31 December 2012	18,750,000	\$0.05	1,875,000	\$0.50
17 March 2013	2,500,000	\$0.05	250,000	\$0.50
17 March 2013	2,500,000	\$0.07	250,000	\$0.70
17 March 2013	3,500,000	\$0.10	350,000	\$1.00
17 March 2013	3,500,000	\$0.15	350,000	\$1.50
28 May 2013	3,750,000	\$0.155	375,000	\$1.55
28 May 2013	3,750,000	\$0.185	375,000	\$1.85
28 May 2013	5,000,000	\$0.205	500,000	\$2.05

The above table excludes options currently owned by Mr Jury and Mr Matthews, as these will be cancelled if Resolutions 4 and 5 are approved. If they are not cancelled the consolidation principles apply in the same manner as for other options.

#### 4.3 Revised Capital After Consolidation

In summary, the passing of Resolution 6 will result in the Company having issued and potential issued capital immediately after the consolidation as indicated below:

- 72,975,809 fully paid ordinary shares; and
- 7,043,095 options with exercise prices varying from \$0.10 per share up to \$2.05 per share.
- An additional 3,750,000 shares that are scheduled to be issued in relation to Resolution 1.
- An additional 1,875,000 options with an exercise price of \$0.50 per share that are scheduled to be issued in relation to Resolution 1.
- 4,500,000 performance rights in relation to Resolutions 4 and 5, if approved.

**TERMS OF THE \$0.05 OPTIONS**

Following Shareholder approval at the General Meeting the Company proposes to issue 18,750,000 \$0.05 Options with an Exercise Price \$0.05 exercisable on or before the date which is 5 years from issue;

The Options were issued on the following terms:

- (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 in 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 days 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 to 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) Should the Company at any time over the life of the Option be readmitted to the ASX and an option holder exercises Options post the readmission date, the Company undertakes to apply for official quotation by ASX of all Shares allotted pursuant to the exercise of any Options, within 10 business days of the date of allotment of those Shares.
- (m) 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.

# PROXY FORM

All correspondence to:

Registries Limited

GPO Box 3993

Sydney NSW 2001

Enquiries: 61 2 9290 9600

Facsimile: 61 2 9279 0664

www.registries.com.au

registries@registries.com.au

## RESOURCE GENERATION LIMITED

ACN 059 950 337

### General Meeting

### Proxy Form

Mark this box with an 'X' if you are Issuer Sponsored and want to make any changes to your address details (see reverse)

Name & address

## Appointment of Proxy

If appointing a proxy to attend the General Meeting on your behalf, please complete the form and submit it in accordance with the directions at the bottom of the page.

I/We being a shareholder/shareholders of Resource Generation Limited pursuant to my/our right to appoint not more than two proxies, appoint

The Chair of the Meeting (mark with an "X")

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chair of the Meeting.

or failing him/her

Write here the name of the other person you are appointing.

or failing him/her (or if no proxy is specified above) the Chair of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting to be held at Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000 on Friday 23 January 2009 at 10.00am and at any adjournment of that meeting.

This proxy is to be used in respect of \_\_\_\_\_ % of the ordinary shares I/we hold.

## Voting directions to your proxy – please mark to indicate your directions

Resolution	For	Against	**Abstain
1. Approval of issue of shares and options to vendor of Isicebi Carbon Mining (Pty) Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of issue of shares to facilitator of acquisition of Energy Investments Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of issue of shares by equity placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of issue of performance shares to Paul Jury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of issue of performance shares to Steve Matthews	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark this box, do not also give voting directions to your proxy otherwise this proxy form may be invalid.

\*\* If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

*Executed in accordance with section 127 of the Corporations Act:*

Individual or Shareholder 1

Sole Director & Sole Company Secretary

Joint Shareholder 2

Director / Company Secretary

Joint Shareholder 3

Director

Dated this \_\_\_\_\_

day of \_\_\_\_\_

2008

Contact Name

Contact Business Telephone / Mobile

## INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Your pre-printed name and address is as it appears on the share register of Resource Generation Limited (the "Company"). If you are an Issuer Sponsored holder and this information is incorrect, please mark the box at the top of the proxy form and make the correction on the form. Security holders sponsored by a broker on the CHESSE subregister should advise their broker of any changes. Please note that you cannot change ownership of your securities using this Proxy Form.
2. Completion of a proxy form will not prevent individual shareholders from attending the General Meeting in person if you wish. Where you complete and lodge a valid proxy form and attend the General Meeting in person, then the proxy's authority to speak and vote for you is suspended while you are present at the General Meeting.
3. A shareholder of the Company entitled to attend and vote is entitled to appoint one or two proxies. If you want to appoint two proxies, please contact Registries Limited and request a second proxy form.
4. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of your voting rights. If you appoint two proxies and the appointment does not specify this proportion, each proxy may exercise half of your votes.
5. A proxy need not be a shareholder of the Company.
6. If you mark the abstain box, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.
7. If a representative of a company shareholder is to attend the General Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the General Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.
8. If a representative of a shareholder is to attend the General Meeting under a Power of Attorney, a properly executed original (or originally certified copy) of an appropriate Power of Attorney should be produced for admission to the General Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

### 9. **Signing Instructions**

You must sign this Proxy Form as follows in the spaces provided:

- Individual:** Where the holding is in one name, the holder must sign this Proxy Form.
- Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign this Proxy Form.
- Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this Proxy Form must be signed by that person.
- If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign this Proxy Form alone.
- In all other circumstances, this Proxy Form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### 10. **Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than 10.00 am on Wednesday, 21 January 2009 (48 hours before the commencement of the General Meeting). Any Proxy Form received after that time will not be valid for the General Meeting.

#### **Hand deliveries**

**Registries Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000**

#### **Postal address:**

**Registries Limited  
GPO Box 3993  
Sydney NSW 2001**

#### **Fax number:**

**(02) 9279 0664**