



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 September 2010

Resource Generation has coal interests in South Africa and Tasmania. Its current priority is to develop its planned Boikarabelo coal mine in the Waterberg region of South Africa, which has one of the country's largest remaining coal deposits.

HIGHLIGHTS

- First offtake contract for Boikarabelo signed with a major Indian power utility.
- Progress with mining rights application.
- Resources and reserves upgraded.
- Progress with planning access to rail network.
- Continued discussions with other potential customers.
- Commenced discussions with banks for funding arrangements for the mine construction.

SOUTH AFRICA

Offtake contract

Integrated Coal Mining, on behalf of its affiliated company CESC Limited, has agreed to purchase from Resource Generation one million tonnes of thermal coal per annum for three years and two million tonnes per annum for a further 17 years. These purchases will begin when the Boikarabelo mine commences production, which currently is scheduled for early 2013. Prices will be agreed at the time based on international benchmark prices.

In addition, Integrated Coal Mining has subscribed \$10.5 million for a 10% shareholding in Resource Generation. This involved the placement to Integrated Coal Mining of 18,268,053 Resource Generation shares at \$0.575 per share.

Integrated Coal Mining and CESC are both parts of the RPG Group, one of India's most respected industrial groups. CESC is India's third largest power utility, with a current installed generating capacity of 1225 MW serving nearly 2.5 million consumers across the twin cities of Kolkata and Howrah. Its published growth plan envisages an increase in its installed generating capacity to 5745 MW.

Progress with mining rights application

Progress with Resource Generation's mining rights application is continuing and initial public consultation on the environmental management plan has been completed. The only issue that arose was the environmental impact of the road and rail siding which were proposed for the first few years of the mine's operations. Consequently, the application has been modified to address these concerns, and construction of the proposed 45 kilometre rail link from the mine site to the existing rail infrastructure will take place at the commencement of the project for a total cost estimated at \$100 million.



The company has held constructive meetings with the Department of Mineral Resources and the process is likely to be concluded in early to mid 2011.

Resource and reserve upgrade

An upgrade was announced after the end of the quarter. Boikarabelo's resources and reserves are now as follows:

- probable reserves of 636.0 million tonnes, an increase of 32.7 million tonnes; plus
- a new measured resource of 204.0 million tonnes; plus
- an indicated resource of 551.7 million tonnes; plus
- an inferred resource of 1.5 billion tonnes.

Mine planning is being undertaken which will enable the measured resource to be upgraded to probable reserve status. This is expected to be completed by the end of November 2010.

Access to rail network

The company has continued detailed discussions with Transnet regarding access to its rail network to provide transport to east coast ports. As noted above, the construction of the proposed 45 kilometre rail link from the mine site to the existing rail infrastructure is being brought forward to the commencement of the project. Work has commenced on the approval application which needs to be submitted under the National Environmental Management Act.

Discussions with potential customers

In addition to the contract with Integrated Coal Mining Limited, the company is also in discussions with other potential export and domestic customers regarding purchases of Boikarabelo coal when production begins.

Discussions with banks

Significant progress was made in the quarter towards completion of the bankable feasibility model and discussions have commenced with potential debt providers from South Africa and Europe. The company is targeting project finance facilities for the construction of the mine and hopes to obtain 60% of total funding from debt providers.

TASMANIA

A drilling programme of 25 holes was completed on the Woodbury tenement, where Resource Generation is exploring for thermal coal. A total of 16 fully cored drill holes, totalling 910.3 metres, and 9 open holes totalling 839.6 metres have been completed. All holes were geophysically logged. Laboratory analysis and geological modelling has commenced, with results expected in early 2011.

CAMEROON

There was no activity during the quarter on Resource Generation's uranium tenements in Cameroon.



CORPORATE INFORMATION

Directors

| | |
|----------------------|------------------------|
| Scott Douglas | Non-Executive Chairman |
| Paul Jury | Managing Director |
| Steve Matthews | Executive Director |
| Geoffrey (Toby) Rose | Non-Executive Director |

Company Secretary

Steve Matthews

Registered Office

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Sydney NSW 2001

Contacts

Paul Jury
Steve Matthews

Media

Anthony Tregoning, FCR on (02) 8264 1000

** 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 consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'000 | Year to date (3 mths) \$A'000 |
|---|---|----------------------------|----------------------------------|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration and evaluation | (469) | (469) |
| | (b) development | (1,665) | (1,665) |
| | (c) production | - | - |
| | (d) administration | (944) | (944) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 123 | 123 |
| 1.5 | Interest and other costs of finance paid | (2) | (2) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) | - | - |
| | Net Operating Cash Flows | (2,957) | (2,957) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets (land) | - | - |
| 1.9 | Proceeds from sale of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other- Government charges in relation to land acquisitions (refundable) | - | - |
| | Net investing cash flows | (0) | (0) |
| 1.13 | Total operating and investing cash flows (carried forward) | (2,957) | (2,957) |



| | | Current quarter \$A'000 | Year to date (3 mths) \$A'000 |
|------|--|----------------------------|----------------------------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (2,957) | (2,957) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 10,504 | 10,504 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| | Net financing cash flows | 10,504 | 10,504 |
| | Net increase (decrease) in cash held | 7,547 | 7,547 |
| 1.20 | Cash at beginning of quarter/year to date | 6,088 | 6,088 |
| 1.21 | Exchange rate adjustments to item 1.20 | (50) | (50) |
| 1.22 | Cash at end of quarter | 13,585 | 13,585 |

Payments to directors of the entity and associates of the directors

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

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 262 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Executive salaries and directors fees

Non-cash financing and investing activities

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

N/A

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |



Estimated cash outflows for next quarter

| | | \$A'000 |
|--------------|----------------------------|----------------|
| 4.1 | Exploration and evaluation | (102) |
| 4.2 | Development | (1,016) |
| 4.3 | Production | - |
| 4.4 | Administration | (555) |
| Total | | (1,673) |

Reconciliation of cash

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

| | | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|--------------------------|----------------------------|-----------------------------|
| 5.1 | Cash on hand and at bank | 18 | 14 |
| 5.2 | Deposits at call | 13,385 | 5,892 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (Bank guarantees) | 182 | 182 |
| Total: cash at end of quarter (item 1.22) | | 13,585 | 6,088 |

Changes in interests in mining tenements

| | | Tenement reference | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|--------------------|--------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | N/A | | | |
| 6.2 | Interests in mining tenements acquired or increased | N/A | | | |



Issued and quoted securities at end of current quarter

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

| | | Total number | Number quoted | Issue price per security (cents) | Amount paid up per security (cents) |
|------|--|--------------|---------------|----------------------------------|-------------------------------------|
| 7.1 | +Preference securities <i>(description)</i> | N/A | | | |
| 7.2 | Changes during quarter | N/A | | | |
| | (a) Increases through issues | | | | |
| | (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | +Ordinary securities | 182,680,530 | 182,680,530 | Various | Fully paid |
| 7.4 | Changes during quarter | | | | |
| | (a) Increases through issues | 18,268,053 | 18,268,053 | 57.5 | 57.5 |
| | (b) Decreases through returns of capital, buy-backs | Nil | Nil | Nil | Nil |
| 7.5 | +Convertible debt securities <i>(description)</i> | N/A | | | |
| 7.6 | Changes during quarter | N/A | | | |
| | (a) Increases through issues | | | | |
| | (b) Decreases through securities matured, converted | | | | |
| 7.7 | Options <i>(description and conversion factor)</i> | | | <i>Exercise price</i> | <i>Expiry date</i> |
| | | 450,000 | Nil | \$0.25 | 28/11/2012 |
| | | 1,875,000 | Nil | \$0.50 | 31/12/2012 |
| | | 2,875,000 | Nil | \$0.50 | 7/7/2013 |
| | | 250,000 | Nil | \$0.50 | 17/3/2013 |
| | | 450,000 | Nil | \$0.60 | 28/11/2012 |
| | | 250,000 | Nil | \$0.70 | 17/3/2013 |
| | | 350,000 | Nil | \$1.00 | 17/3/2013 |
| | | 350,000 | Nil | \$1.50 | 17/3/2013 |
| | | 375,000 | Nil | \$1.55 | 28/5/2013 |
| | | 375,000 | Nil | \$1.85 | 28/5/2013 |
| | | 500,000 | Nil | \$2.05 | 28/5/2013 |
| 7.8 | Issued during quarter | Nil | | | |
| 7.9 | Exercised during quarter | Nil | | | |
| 7.10 | Expired during quarter | Nil | | | |
| 7.11 | Debentures <i>(totals only)</i> | N/A | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | N/A | | | |



Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

A handwritten signature in black ink, appearing to read "Stephen James Matthews".

Sign here:

(Company secretary)

Date: 26 October 2010

Print name: STEPHEN JAMES MATTHEWS

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