ASX RELEASE

19-Sep-11

2011 Annual Report and AGM

Please find attached the Resources & Energy Group Limited 2011 Annual Report.

It is anticipated that the hard copy version of the Annual Report, along with the Notice of Meeting, will be distributed to shareholders mid October 2011.

Resources & Energy Group Limited will hold its 2011 Annual General Meeting on Thursday 24 November 2011 at 10am (Sydney time) at the offices of Arthur Phillip Pty Ltd, Colonial Centre, Level 33, 52 Martin Place, Sydney, NSW.

Sylvie Dimarco

Sylvie Dimarco
Company Secretary
RESOURCES & ENERGY GROUP LIMITED

RESOURCES & ENERGY GROUP LIMITED
(FORMERLY REAL BRAND HOLDINGS LIMITED)
ACN 110 005 822

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

for the year ended 30 June 2011

RESOURCES & ENERGY GROUP LIMITED
CORPORATE DIRECTORY

Directors
Richard Poole
Virginia Bruce
Philip Suriano

Secretary
Sylvie Dimarco

Registered Office
Level 33 Colonial Centre
52 Martin Place
SYDNEY NSW 2000

Telephone +(612) 9227 8900
Facsimile +(612) 9227 8901

Share Registry
Boardroom Pty Ltd
Level 7, 207 Kent St,
SYDNEY NSW 2000

Auditor
Prosperity Audit Services
Level 2
580 George Street
Sydney NSW 2000

Stock Exchange
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code
REZ (fully paid ordinary shares) (formally RBH)

RESOURCES & ENERGY GROUP LIMITED

REVIEW OF OPERATIONS

Operating Results

	2011	2010
	$	$
Revenue from continuing operations	105,600	68,806
Excess of fair value of net identifiable assets acquired over the cost of acquisition	-	1,690,966
	105,600	1,759,772

The net profit/ (loss) after income tax for the year was as follows:

	2011	2010
Operating profit / (loss) from continuing operations	(455,004)	1,102,039
Net profit / (loss) after income tax	(455,004)	1,102,039

Earnings per Share

	2011	2010
	Cents	Cents
Basic earnings/(loss) per share	(0.97)	2.88
Diluted earnings/(loss) per share	(0.97)	2.88

As the average market price of ordinary shares for the year ended 30 June 2011 did not exceed the weighted average exercise price, the share options are anti dilutive and are ignored in the calculation of the diluted earnings per share.

The loss of the Group for the year amounted to $455,004 (2010: proft of $1,102,039).
This has resulted from the following:

(a) An income of $1,690,966 was recognised in the 2010 financial year, representing the excess of the fair value of the net identifiable assets of Deep Energy Limited acquired and the consideration transferred. This is an once-off transaction and there is no such transaction in the 2011 financial year.

(b) An increase in interest income of $36,794 was due to the increased average cash balances in the current financial year following the new share issues in September 2009 and December 2009.

(c) A decrease of consulting expenses of $230,283 was due to reduced consulting activity in the current year.

REVIEW OF OPERATIONS

Financial Position

In the 2010 financial year, funds of $2,717,115 were raised to allow the Company to pursue exploration and related activities. Exploration and related activities included the identification of opportunities in Deep Energy Limited's geothermal exploration licences and also opportunities in areas of Queensland as having potential in Uranium.

Review of Operations

Following the acquisition of Deep Energy Limited in January 2010, the Group changed its principal activities to explore and develop areas suitable for geothermal power products. The Group continued its principal activities in the current financial year.

Deep Energy Limited (DEL) (which is 51.85% owned by Resources & Energy Group Limited) holds 12 exploration licences in "South Australian Heat Flow Anomoly" - an area prospective for geothermal energy. The licences held by DEL in South Australia covers an area of 6,000 square kilometres. The 12 geothermal exploration licences (GEL's) are known as the Lake Frome Geothermal Energy Project.

Given the difficult climate for geothermal projects, DEL is currently in the process of reviewing and rationalisng the geothermal portfolio. DEL has made an application to the Department of Primary Industries and Resources of South Australia (PIRSA) to vary the original licences with a view to reducing the overall area and commitments whilst retaining the more prospective areas. Negotiations have been held regarding possible joint ventures with other geothermal explorers who hold licences within the South Australian Heat Flow Anomaly and are closer to infrastructure.

The Federal Government has recently announced additional funding of over $13 billion allocated to the Australian Renewable Energy Agency and the establishment of the Clean Energy Finance Corporate to provide funding support to renewable energy projects around Australia. The Group will be working with various government departments to understand how these funds will be applied. However, the application and receipt of funding is uncertain at the current time.

The Company also continues to look at other opportunties and has completed applications for exploration licences over an area located in Queensland which has been identified as having potential for Uranium.

Lake Frome Geothermal Energy Project
Tenement Schedule

Number	Name	State	Area
GEL 308	Frome Downs	South Australia	481km2
GEL 311	Tea Tree Outstation	South Australia	471 km2
GEL 312	Goonarbine	South Australia	493km2
GEL 313	Lake Frome West	South Australia	487km2
GEL 314	Glenorchy	South Australia	463km2
GEL 315	Lake Frome East	South Australia	463km2
GEL 486	Kalan	South Australia	497km2
GEL 487	Mayfair	South Australia	498km2
GEL 488	Girls Rock	South Australia	486km2
GEL 489	Parthenos	South Australia	493km^2
GEL 490	Penta	South Australia	496km^2
GEL 497	No.6	South Australia	464km2

The directors of Resources & Energy Group Limited submit herewith the financial report for the year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the financial year and up to the date of this report are:

Mr R J Poole
Ms V Bruce
Mr P R Suriano

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The qualifications and details of listed public company directorships held over the past three years are detailed below.

R J Poole
Chairman (Non- Executive)

LLB, B Juris, B Comm ASIA.

Appointed Chairman on 12 July 2004. Board member since 12 July 2004. Director of Australian Power and Gas Limited and Adavale Resources Limited. Former directorships include Amerod Resources Limited, E Tick Limited, Merchant House Limited, BBX Holdings Limited, Hudson Resources Limited, Alexanders Securities Limited and Strathfield Group Limited.

Mr Poole commenced his career as a lawyer specialising in mergers and acquisitions. He left the law in 1990 to build a research and development operation with operations in Japan, USA and Australia and added a manufacturing company in China in 1994. He successfully built the R&D company from its early stages to a public listed vehicle raising the necessary capital up to his departure in 1999. Since 1999 he has continued his involvement in fund raising and the development of companies. He is a principal of Arthur Phillip Pty Limited, and has been recently involved in projects with Australian Power and Gas Limited, White Energy Company Limited and the development of Oracle Organics.

Special Responsibilities:

Mr Poole is a member of the Audit and Finance Committee and Remuneration Committee.

V Bruce
Director – Chief Executive Officer

Director since 6 December 2004. With 17 years service with Resources & Energy Group Limited and its predecessors. Ms Bruce's international reputation began with her key role in developing the retail concept generally thought to have changed the face of entertainment retailing - Warner Bros Studio Stores. Ms Bruce went on to pioneer strategic marketing, brand licencing, and creative/product design offerings that have optimised the global market power of Mattel, Kellogg's, Avon, Disney, United Media, Feld Entertainment, Harvey Entertainment, the Australian Rugby Union, the Sydney Olympics and other premier branded properties.

Special Responsibilities:
None

P Suriano
Director (Non Executive)

B Bus, Bkg & Fin, Monash.

Director since 12 July 2004. Director of Adavale Resources Limited, Laserbond Limited and BBX Holdings Limited. Former directorships include Microview Limited. Mr Suriano began his career in corporate banking with the Commonweath Bank of Australia. Mr Suriano spent 16 years in senior positions within the Australian Media Industry. Mr Suriano has gained wide knowledge and experience to give him a strong background in operations, sales and marketing in such roles as National Sales Director, MCN (the subscription TV joint venture company between Austar and Foxtel) and Group Sales Manager at Network Ten. Prior to joining MCN, Mr Suriano was employed .ithin the Victor Smorgon Group of Companies.

Special Responsibilities:

Mr Suriano is a member of the Audit and Finance Committee and Remuneration Committee.

Directors interests are disclosed in Note 16 to the accounts.

The following table sets out the number of meetings of Directors held since the commencement of the financial year, with the number of meetings attended by each Director

Name	Number of meetings eligible	Number of meetings attended
R J Poole (Non-executive director)	5	5
V Bruce (Executive director)	6	6
P Suriano (Non-executive director)	6	6

The Directors meet on an informal basis between board meetings.

Company Secretary

The Company Secretary at the date of this report is Ms Sylvie Dimarco. Ms Dimarco was appointed Company Secretary on 10 March 2009. Ms Dimarco holds a Bachelor of Laws from the University of Sydney and has practised as commercial lawyer for eleven years. Ms Dimarco has experience in commercial, property and corporations law. Ms Dimarco is a Certified Member of Chartered Secretaries of Australia. Ms Dimarco is also a Company Secretary of Adavale Resources Limited and BBX Holdings Limited. For the past four years, Ms Dimarco has been working as the Compliance Officer of Arthur Phillip, an investment house and corporate advisor.

Principal Activity

The Group's principal activities for the current financial year, were to explore and develop areas suitable for geothermal power products.

The Group continues to look at opportunities and has recently completed applications for exploration licences over an area located in Queensland identified as having potential for Uranium.

Dividends

No dividends were paid or declared for payment during or subsequent to the financial year.

Review of Operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Reivew of Operations on Page 4 to 5 of this annual report.

Significant Changes in the States of Affairs

Other than already noted above in this report, there were no significant changes in the state of affairs of the Company during the year.

Events Subsequent to Reporting Date

No matter or circumstances have arisen in the interval since 30 June 2011 and up to the date of this report, that in the opnion of the directors has significantly affected or may significantly affect the operations of the Group, the results of those operations or state of affairs of the Group in future financial years other than:

(a) Deep Energy Limited, the subsidiary has made application to PIRSA to vary the orginal licences with a view to reducing the overall area and commitments whilst retaining the more prospective areas. The application process is at a preliminary stage at the date of this report.

(b) The Company has applied for four exploration licences with the Queensland Mine Department over an area located in Queensland identified as having potential for uranium exploration. The application has been accepted by the Queensland Mine Department.

Future Developments

The Group intends to reduce the overal area under the original licences whilst retaining the more prospective areas.

The Group will continue to pursue opportunities in other mineral resources exploration and related activities.

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

Environmental Issues

Exploration and development activities are subject to State and Federal laws and regulations. The Group has a policy of complying with its environmental performance obligations as a minimum, and during the reporting period, there has been no known breach of the environment regulations.

The Group is committed to ensuring the activities of its business are conducted in a way so as to minimize adverse impacts on the environment and local communities.

Indemnifying Officer or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Audit and 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 are important.

The Board of Directors has considered the position and 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, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

No non-audit services were provided during the period.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on Page 19.

Auditor

The auditor continues in office in accordance with Section 327 of the Corporations Act 2001.

Remuneration Report

The Board is comprised of two non-executive and one executive director. The consolidated entity does not have any salaried directors or executives.
The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

The key management personnel of the company are the directors as set out in this report. Except as disclosed in the following tables, there are no other persons that must be disclosed under the Corporations Act 2001 as key management personnel.

Principles used to determine the nature and amount of remuneration

The Remuneration Committee is responsible for determining and reviewing the remuneration of directors, within within parameters approved by shareholders, and of executives and consultants. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Executive directors

Executive directors' remuneration packages may comprise of:

- Salary and associated superannuation;
- Fixed directors fees; and
- Performance based bonuses

Non-executive directors

Non-Executive directors receive fixed director fees only, and do not participate in any performance-based remuneration schemes.

Short-term incentives and Long-term incentives

Due to the current size and extent of nature of operation, no short-term incentives such as performance based bonuses or long term incentives such as employee options were provided to the directors.

Remuneration Report (continued)

Details of remuneration

As disclosed in the financial statements, the following amounts were paid to directors as director fees:

Name of Director	Entity	Services provided	Amount paid $	Total $
Mr R J Poole	Arthur Phillip Pty Limited	Director Services	48,000	48,000
Ms V Bruce	Reality Energy Attitude Life Pty Limited	Director Services	30,000	30,000
Mr P Suriano	Entertainment Marketing and Enerprise Pty Limited	Director Services	30,000	30,000

All remuneration paid is in the format of short term employee benefits. No Post-employment benefits, long-term benefits, termination benefits or share based payments were made during the current financial year.

Service agreements

The non-executive directors did not enter into any service agreements with the company. The Nomination Committee considers the appointment and retirement of Non-Executive Directors on a case by case basis. Currently all directors are required to be re-elected at least every three years and at least one-third of directors must retire at each Annual General Meeting.

Options

At the date of this report, the unissued ordinary shares of Resources & Energy Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number
28.05.08	30.06.12	$0.25	5,400,000
30.06.08	30.06.12	$0.25	2,400,000
30.06.09	30.06.12	$0.40	2,400,000

No new options have been issued and no options outstanding were exercised during the year ended 30 June 2011.

On 30 November 2009, shareholders approved a consolidation of capital in which every five existing options were consolidated into one option. Accordingly, the option exercise price was amended in inverse proportions to the consolidation ratio, in accordance with ASX Listing Rules.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any body corporate.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company, or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Signed in accordance with a resolution of directors.

On behalf of the Directors

RJ Poole
Chairman
Sydney, 19 September 2011

The Board of Directors of Resources & Energy Group Limited is responsible for the corporate governance of the company. The board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ('ASX') Corporate Governance Council. However in view of the Company's current size and extent of the nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the company in years ahead. Where the Company's framework was different to the Principles of Good Corporate Governance and best practice Recommendations set by the Australian Stock Exchange Corporate Governance Council, it has been noted.

A summary of the current corporate governance practices as adopted by the Board are as follows:

The Board of Directors

The Board of Directors carries out its responsibilities according to the following mandate:

- The Board should comprise at least three directors, with at least two thirds being non executive directors
- The Chairman of the Board should be a non executive director
- The directors should possess a broad range of skills, qualifications and experience
- The board considers the mix of skills and the diversity of board members
- The board should meet at least on a quarterly basis, and
- All available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

The primary responsibilities of the Board include:

- The approval of the annual and half yearly financial report
- The establishment of long term goals for the Economic Entity and strategic plans to achieve those goals
- The review and adoption of annual budgets for the financial performance of the Economic Entity and monitoring the results on a quarterly basis.
- Ensuring that the Economic Entity has implemented adequate internal controls together with the appropriate monitoring of compliance activities, and
- Ensuring that the Economic Entity is able to pay its debts as and when they fall due.

The Company discloses the curriculum vitae of each of its directors in its Annual Report.

The function of the Chairman and the other directors are separate.

Diversity

The Board is committed to having an appropriate blend of diversity on the Board. It recognises the benefits arising from Board diversity and the importance of benefiting from all available talent. Accordingly, the company has established a diversity policy.

The policy outlines requirements fo the Board to develop measureable objectives for achieving diversity and annually assess both objectives and the progress in achieving those objectives. According, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next few years as director and senior executive positions become available:

	2011		**2010**	
	Female (%)	**Male (%)**	**Female (%)**	**Male (%)**
Board representation	33	67	33	67
Key senior management representation	33	67	33	67
Group representation	33	67	33	67

Due to the size of the Company, the members of the Remuneration Committee and Nomination Committee are the same.

Due to the Company's current size and extent of nature of operations, the following departures from Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The majority of the Board should be independent. Presently the Board consists of two non Executive Directors and one Executive Director. However, Richard Poole is a principal of Arthur Phillip Pty Limited, a material adviser to the Company in the past 4 years, and is not considered independent.

Independent Professional Advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and professional advice at the Economic Entity's expense concerning any aspect of the Economic Entity's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Ethical Standards

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Trading Policy

The Company's policy regarding Directors and employees trading in its securities is set by the Audit and Finance Committee. A copy of the Company's Trading Policy was lodged with the ASX on 24 December 2010.
The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit and Finance Committee

The Board has established an Audit and Finance Committee consisting of the following Directors:

- Mr Richard J Poole (Chairman); and
- Mr Philip R Suriano

The names and qualifications of the Directors in the Audit and Finance Committee and the number of meetings are disclosed in the yearly report.

The Audit and Finance Committee provides a forum for the effective communication between the Board and the external auditors. The Committee reviews:

- The annual and half yearly financial report prior to their approval by the Board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit function.

The Audit and Finance Committee invites other Directors and external auditors to attend committee meetings on occasion. The Audit and Finance Committee also meets with external auditors, as necessary, concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls. Given the significant involvement by the Board in the operations of the business during the year, it was not deemed necessary that the Audit and Finance Committee meet during the financial year, as all matters normally dealt with by the Audit and Finance Finance Committee were dealt with directly by the Board.

The Audit and Finance Committee requests the Company’s external auditor attend the annual general meeting and be available to answer shareholder questions about conduct of the audit, and the preparation and content of the auditor’s report.
Due to the Company’s current size and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The Audit and Finance Committee should consist of three members, the majority being independent and the Chairperson being independent and not the Chairperson of the Board. The committee only consists of two members, with the Chairperson being the Chairperson of the Board and as outlined in the Board of Directors Section, the Directors are not considered independent.
- The Audit and Finance Committee should have a formal charter. Such a charter is not considered necessary for the proper function of the committee given the composition of Audit and Finance Committee and board.

Continuous Disclosure

The Board and Company Secretary are appointed as the parties responsible for communications with the Australian Stock Exchange (‘ASX’). They are also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX.

The Board is responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of notices of meetings to ensure all shareholders are fully informed.

Remuneration Committee/Nomination Committee

The Board has established a Remuneration Committee/Nomination Committee consisting of the following Directors:

- Mr Richard J Poole (Chairperson); and
- Mr Philip R Suriano

The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Economic Entity's operations, the Remuneration Committee occasionally seeks the advice of external advisors in connection with the structure of remuneration packages.

Executive Directors remuneration packages may comprise of:

- Salary and associated superannuation;
- Fixed directors fees; and
- Performance based bonuses.

Non-Executive Directors receive fixed directors fees only, and do not participate in any performance-based remuneration.

Fixed directors fees may be paid in the form of cash, share options or a combination of both. Share options are issued on similar terms to previous issues by the entity and are considered to be in lieu of cash, not based on performance of the entity.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration Committee is provided by the Company in its annual report. The Remuneration Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by Shareholders.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The Remuneration Committee should consist of three members, the majority being independent and chaired by an independent person. The Committee only consists of two members and as outlined in the Board of Directors section, the Directors are not considered to be independent.

The Nomination Committee considers the appointment and retirement of Non-Executive Directors on a case by case basis. In doing so, the Board must take into account the requirements of Listing Rules and the Corporations Act 2001. Currently all Directors are required to be re-elected at least every three years, and at least one-third of Directors must retire at each Annual General Meeting.

This process also includes ongoing evaluation of the performance of the Board and its individuals according to the goals, objectives and primary responsibilities of each Director as outlined in the Board of Directors Section.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The Nomination Committee should consist of three members, the majority being independent and chaired by an independent person. The Committee only consists of two members and as outlined on page 11 in the Board of Directors section, the Directors are not considered to be independent.

Risk Management

The Board is responsible for the Economic Entity's system of internal controls. The Board constantly monitors the the operation and financial aspects of the Economic Entity's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the Economic Entity.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Economic Entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Due to the Company's current size and extent of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The Company does not have a Chief Financial Officer and therefore statements are not obtained from such persons in relation to Best Practice Recommendation 4.1.

Code of Conduct

As part of the Board's commitment to the highest standards of conduct, the Economic Entity adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities.

The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF RESOURCES & ENERGY GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

19 September 2011

Sydney

Sydney
Level 2
580 George Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 9261 2288
F 02 9261 2376

Newcastle
Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 4929 6759

Brisbane
Suite 1, Level 3
200 Creek Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755
F 07 3839 1037

mail@prosperityadvisers.com.au
www.prosperityadvisers.com.au

Prosperity Audit Services
ABN 87 879 283 831

RESOURCES & ENERGY GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Note	2011	2010
		$	$
Revenue from continuing operations			
Other revenue from continuing operations	4	105,600	68,806
Other income	18	-	1,690,966
Auditing and accounting		(78,560)	(66,696)
Consulting fees		(22,882)	(253,165)
Office expense		(26,623)	(24,000)
Corporate maintenance expenses		(86,954)	(108,847)
Legal costs		(60,913)	(76,733)
Director fees		(118,800)	(108,000)
Depreciation		(204)	(107)
Other expenses from operating activities		(165,668)	(20,185)
Profit / (loss) before income tax expense		(455,004)	1,102,039
Income tax expense	6	-	-
Profit / (loss) for the year		(455,004)	1,102,039
Other comprehensive income / (loss)			
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		(455,004)	1,102,039
Profit / (loss) is attributable to:			
- Shareholders of Resource & Energy Group Limited		(441,976)	1,119,565
- Non-controlling interests		(13,028)	(17,526)
		(455,004)	1,102,039
Total comprehensive income / (loss) is attributable to:			
- Shareholders of Resource & Energy Group Limited		(441,976)	1,119,565
- Non-controlling interests		(13,028)	(17,526)
		(455,004)	1,102,039
Earnings Per Share for profit / (loss) from continuing operations attributable to the ordinary shareholders of the company			
Basic (cents per share)	15	(0.97)	2.88
Diluted (cents per share)	15	(0.97)	2.88
Earnings Per Share for profit / (loss) attributable to the ordinary shareholders of the company			
Basic (cents per share)	15	(0.97)	2.88
Diluted (cents per share)	15	(0.97)	2.88

This page should be read in conjunction with the accompanying notes.

RESOURCES & ENERGY GROUP LIMITED

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalent assets	17	1,526,714	2,046,831
Receivables	7	76,460	103,228
TOTAL CURRENT ASSETS		1,603,174	2,150,059
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	1,836	2,040
Exploration and evaluation assets	10	8,623,532	8,549,179
TOTAL NON-CURRENT ASSETS		8,625,368	8,551,219
TOTAL ASSETS		10,228,542	10,701,278
CURRENT LIABILITIES			
Trade and other payables	11	75,557	148,672
TOTAL CURRENT LIABILITIES		75,557	148,672
NON-CURRENT LIABILITIES			
Borrowings	12	161,758	106,375
Deferred tax liability	13	2,294,441	2,294,441
TOTAL NON-CURRENT LIABILITIES		2,456,199	2,400,816
TOTAL LIABILITIES		2,531,756	2,549,488
NET ASSETS		7,696,786	8,151,790
EQUITY			
Contributed equity	14	10,948,793	10,948,793
Accumulated losses		(6,189,353)	(5,747,377)
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF RESOURCES & ENERGY GROUP LIMITED		4,759,440	5,201,416
Non-controlling interests		2,937,346	2,950,374
TOTAL EQUITY		7,696,786	8,151,790

This page should be read in conjunction with the accompanying notes.

RESOURCES & ENERGY GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2011

	Note	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(462,240)	(730,591)
Interest received		62,282	61,748
Taxes refunded/(paid)		(101,189)	86,801
NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES	17	(501,147)	(582,042)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment / (inflows) for acquisition of subsidiary, net of cash acquired	18	-	40,223
Exploration and evaluation costs capitalised		(74,353)	(349,179)
NET CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES		(74,353)	(308,956)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities		-	2,717,115
Cost of share issue		-	(213,673)
Borrowings/(Repayment) of borrowings		55,383	(326,957)
NET CASH INFLOWS / (OUTFLOWS) FROM FINANCING ACTIVITIES		55,383	2,176,485
NET INCREASE IN CASH AND CASH EQUIVALENTS		(520,117)	1,285,487
Cash and cash equivalents at the beginning of the year		2,046,831	761,344
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	1,526,714	2,046,831

This page should be read in conjunction with the accompanying notes.

RESOURCES & ENERGY GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Contributed equity $	Accumulated losses $	Non-controlling interests $	Total $
Balance at 1 July 2009	7,640,351	(6,866,942)	-	773,409
Total comprehensive loss for the year	-	1,119,565	(17,526)	1,102,039
Issue of shares	3,522,115	-	-	3,522,115
Cost of shares issued	(213,673)	-	-	(213,673)
Non-controlling interest on acquisition	-	-	2,967,900	2,967,900
Balance at 30 June 2010	10,948,793	(5,747,377)	2,950,374	8,151,790
Balance at 1 July 2010	10,948,793	(5,747,377)	2,950,374	8,151,790
Total comprehensive loss for the year	-	(441,976)	(13,028)	(455,004)
Balance at 30 June 2011	10,948,793	(6,189,353)	2,937,346	7,696,786

This page should be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Resources & Energy Group Limited (the "Company") is a company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and the entity it controlled during the year (together referred to as the "Group").

The registered office of the Company is:
Resources & Energy Group Limited
Level 33 Colonial Centre
52 Martin Place
SYDNEY NSW 2000

The principal place of business is:
Resources & Energy Group Limited
Level 33 Colonial Centre
52 Martin Place
SYDNEY NSW 2000

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Accounting Standards interpretations, adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company also comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 16 September 2011.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified, where applicable, by the measurement at fair value of selected non-current asset, financial assets and financial liabilities.

(c) Use of Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting polices and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant areas of estimation uncertainty and critical judgements in applying accounting policies have been disclosed in the following notes to the financial statements.

2. BASIS OF PREPARATION (CONTINUED)

(d) Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Group has sufficient cash reserves to meet its debts as and when they fall due over the next 12 months, including its commitments as outlined in note 22. In financial periods beyond 30 June 2012 the group may require successful raising of funding through debt, equity or the successful exploration and subsequent exploitation of the company's tenements.

3. SIGNIFICANT ACCOUNTING POLICIES

Material accounting policies adopted in the preparation of this financial report are presented below.

These accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group.

(a) Basis of Consolidation

A controlled entity is any entity controlled by Resources & Energy Group Limited. Control exists where Resources & Energy Group Limited has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The acquisition method is used to account for business combinations by the Group (refer to 3(e)).

In the Company's financial statements, investments in controlled entities are carried at cost.

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

Where controlled entities have entered or left the economic entity during the year, their financial statements have included from the date control was obtained or until the date control ceased.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-controlling interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Foreign Currency transactions and balance

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. Theses consolidated financial statements are presented in Australian Dollar, which is the Company's functional currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at their fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items that are measured at fair value are recognised as comprehensive income or loss to the extent that the fair value gain or loss is directly recognised as comprehensive income or loss, otherwise the exchange difference is recognised in the profit or loss.

(c) Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax

Current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or settled. Deferred tax is credited in the profit or loss except where it relates to items that may be recognised in other comprehensive income or directly to equity, in which case the deferred tax is adjusted directly in other comprehensive income or against equity. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that that no adverse change will occur in income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment impairment loss was recognised. The reversal is recognised in the profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(g) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.
- Cash floats and cash in bank.

(h) Trade and Other receivables

Trade receivables are recognised initially at fair value and subsequently measurement at amortised cost, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets

The Group's financial assets include trade and other receivables and loans to related entities. The accounting policy of trade and other receivables is set out in Note 3(h).

The loans to related entities are classified as loans and receivables because they are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market.

Loans and receivables are initially recognised at fair value plus transaction cost and are subsequently carried at amortised cost using the effective interest method.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. Impairment losses are recognised in the profit or loss as the difference between the asset's carrying amount and the present value of estimated cash flows.

(j) Property, Plant and Equipmen

The Group's property, plant and equipment include drill equipments

Drill Equipment is measured at historical cost less depreciation.

The costs of drill equipment include its purchase cost plus directly attributable expenditures.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on drill equipments is calculated using the straight-line method to allocate their cost, net of their residual values, over the estimated useful lives of 10 years.

The assets residual values and useful lives are reviewed at each reporting date, and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for geothermal energy resources, the determination of technical feasibility and the assessment of commercial viability of an identified geothermal energy resource. Exploration and evaluation activity includes:

- Assessing all available geophysical data including gravity, magnetic and seismic and collation of additional data;
- Exploratory drilling; and
- Determining and examining the volume and grade of the resource.

Administration costs that are not directly attributable to a specific exploration area are charged to the profit or loss. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of permit. Exploration and evaluation expenditure is capitalised in respect of each identifiable area of interest as the exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable geothermal energy sources that are of sufficient scale to support the project concept.

As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indication of impairment. Where a potential impairment is indicated, assessment is performed for for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. When production commences, the assets for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated exploration and evaluation expenditure in relation to an abandoned area are written-off in full in profit and loss in the period in which the decision of abandon the area is made.

Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the profit and loss.

Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other Payables

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Share Capital and Dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to the shareholders of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and the capital consolidation (refer to Note 14).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Goods and Services Tax (GST)

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 Tax Office (ATO). In these circumstances the GST is recognised of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Comparative Figures

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

(r) Critical Accounting Estimates and Judgements

Impairment Testing

The directors evaluate estimates and judgements incorporated into the financial report based on historical and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Critical estimates and judgements relating to the impairment testing of the assets of the group are as follows:

(i) Carrying Value of Investment in Real Brand & Business Pty Limited

The Directors of Resources & Energy Group Limited have conducted an impairment testing review of the carrying value of the investment in Real Brand and Business Pty Ltd (RBB). As a result of this testing, they consider the current carrying value of the investment in RBB of $nil (2010: $nil) as the recoverable value.

The impairment expense in the profit or loss in relation to this asset was **$nil** for the year ended 30 June 2011 (2010: $nil).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Critical Accounting Estimates and Judgements (continued)

(ii) Collectability of Receivable from Real Brand and Business Pty Limited

Significant uncertainly as to the collectability of the receivable owing from Real Brand and Business Pty Ltd (RBB) still remains as at reporting date. As a result of impairment testing, the directors of Resources & Energy Group Limited consider the carrying value of this receivable as at 30 June 2011 of $nil (2010: $nil) as the recoverable value.

The total expense charged to the profit or loss in relation to this receivable for the year ended 30 June 2011 was $nil (2010: $nil).

In determining the fair value of the investment in and receivable from RBB, the directors have considered the current financial performance and position of RBB, together with future prospects for that entity.

(iii) Carrying value of Exploration and Evaluation Assets

Deep Energy Limited, 51% owned subsidiary of Resources & Energy Group Limited holds 12 exploration licences in South Australia representing the value of the exploration and evaluation assets of $8.6 million recognised as at 30 June 2011.

Resources & Energy Group Ltd made an announcement to the ASX on 27 April 2011 as to the uncertainty and difficulties being faced with respect to geothermal projects in Australia. This brings an element of uncertainty with respect to reaching commercialisation in a cost effective and timely manner for many industry participants. Deep Energy Limited is currently reveiwing and considering possible rationalisation of its geothermal portfolio and may even relinquish part of the portfolio in the future.

Further, the Company announced to the ASX on 28 July 2011 that it is in discussions with the Department of Primary Industries and Resources South Australia to vary the original exploration licences with a view to a possible reduction of the overall area and expenditure commitments whilst retaining the more prospective areas. Negotiations have also commenced with other geothermal explorers who hold licences within the region closer to infrastructure but these negotiations are at a very preliminary stage.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Critical Accounting Estimates and Judgements (continued)

Finally, geothermal exploration is a relatively new renewable energy source in Australia and the Federal Government has recently announced additional funding for renewable energy in future years, however, the application and receipt of this funding is uncertain to industry participants at the current time.

There is significant uncertainty with respect to the valuation of exploration and evaluation assets at the current time as:

- The company is in the process of assessing the commercial viability of continuing current exploration and investing significant capital in the existing exploration licenses:
- Negotiations with the Department of Primary Industries and Resources South Australia are ongoing at the current time and no decision has been made at the date of this report to vary the license or reduce the exploration area or expenditure commitments;
- Negotiations with other geothermal explorers are at very early stages; and
- The receipt and application of Federal funding recently announced which will assist in making the Geothermal industry more commercially attractive is unclear to industry participants at the current time.

As such the Directors are unable to reliably measure the extent of impairment which may exist in relation to exploration and evaluation assets as at 30 June 2011 and no impairment has been recognised at balance date.

(s) New Accounting Standards and Interpretations

A number of new accounting standards and interpretations are effective after 1 July 2011 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(t) Parent Entity Financial Information

The financial information for the parent entity, Resources & Energy Group Limited, disclosed in Note 26 has been prepared on the same basis as the basis as the consoldiated financial statements.

4. REVENUE FROM CONTINUING OPERATIONS

	2011 $	2010 $
Revenue from continuing operations		
Interest received from third parties	105,600	68,806
Other	-	-
Total revenue	105,600	68,806

5. AUDITORS REMUNERATION

	2011 $	2010 $
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	48,500	44,100

6. INCOME TAX

	2011 $	2010 $
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax receivable / (payable) on loss from ordinary activities at 30% (2010:30%)	136,501	(330,611)
Add: non-assessable items		
- Non-assessable income arising from acquisition of a subsidiary	-	507,290
Tax effect of deferred tax assets not brought to account	(136,501)	(176,679)
Income tax expense attributable to entity	-	-

The directors estimate that the parent entity and its controlled entities have carry-forward income tax losses of approximately $1,043,932 available to offset against future years' taxable income. The benefits of these losses have not been brought to account as there is no convincing evidence of future taxable profits to offset losses. The benefit will only be obtained if:

6. INCOME TAX (CONTINUED)

(i) The parent entity and its controlled entities derives future assessable income of the nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised.

(ii) The parent entity and its controlled entities continue to comply with the conditions for deductibility imposed by the law; and

(iii) No changes in tax legislation adversely affect the parent entity and its controlled entities in realising the benefit from the deductions for the losses.

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	2011 $	2010 $
Interest receivable	57,498	14,180
Other debtors and prepayments	18,962	89,048
	76,460	103,228

TRADE AND OTHER RECEIVABLES (NON – CURRENT)

	2011 $	2010 $
Deposits and advances – related entities	125,000	125,000
Less: provision for impairment of receivables	(125,000)	(125,000)
	-	-

8. PLANT AND EQUIPMENT

	2011 $	2010 $
Drilling Equipment		
At cost	2,240	2,240
Accumulated Depreciation	(404)	(200)
	1,836	2,040

Reconciliation of movements

	2011 $	2010 $
Drilling Equipment - Balance at the beginning of the year	2,040	-
PPE acquired on purchase of subsidiary (Note 18)	-	2,147
Depreciation charge	(204)	(107)
Disposals	-	-
Balance at the end of the year	1,836	2,040

9. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2011 $	2010 $
Investment in associate	100,000	100,000
Provision for impairment losses	(100,000)	(100,000)
	-	-

These financial assets are carried at cost.

Refer to Note 3(r) for critical accounting estimates and judgements used in determining fair value and any potential impairment assessment of this asset.

10. EXPLORATION AND EVALUATION ASSETS

	2011	2010
	$	$
Exploration and evaluation assets		
- At cost	8,623,532	8,549,179
- Accumulated amortisation	-	-
	8,623,532	8,549,179

Reconciliation of movements

	2011	2010
	$	$
Balance at the beginning of the year	8,549,179	-
Acquired on purchase of subsidiary (Note 18)	-	8,200,000
Additions	74,353	349,179
Depreciation charge	-	-
Balance at the end of the year	8,623,532	8,549,179

Recoverability of the carrying amount is dependent on further successful exploration and development.

Capitalised expenditures amounting to $74,353 (2010:$349,179) have been included in cash flows from investing activities in the cash flow statement at 30 June 2011.

Deep Energy Limited, 51% owned subsidiary of Resources & Energy Group Limited holds 12 exploration licences in South Australia representing the value of the exploration and evaluation assets of $8.6 million recognised as at 30 June 2011.

Resources & Energy Group Ltd made an announcement to the ASX on 27 April 2011 as to the uncertainty and difficulties being faced with respect to geothermal projects in Australia. This brings an element of uncertainty with respect to reaching commercialisation in a cost effective and timely manner for many industry participants. Deep Energy Limited is currently reveiwing and considering possible rationalisation of its geothermal portfolio and may even relinquish part of the portfolio in the future.

Further, the Company announced to the ASX on 28 July 2011 that it is in discussions with the Department of Primary Industries and Resources South Australia to vary the original exploration licences with a view to a possible reduction of the overall area and expenditure commitments whilst retaining the more prospective areas. Negotiations have also commenced with other geothermal explorers who hold licences within the region closer to infrastructure but these negotiations are at a very preliminary stage.

10. EXPLORATION AND EVALUATION ASSETS (continued)

Finally, geothermal exploration is a relatively new renewable energy source in Australia and the Federal Government has recently announced additional funding for renewable energy in future years, however, the application and receipt of this funding is uncertain to industry participants at the current time.

There is significant uncertainty with respect to the valuation of exploration and evaluation assets at the current time as:

- The company is in the process of assessing the commercial viability of continuing current exploration and investing significant capital in the existing exploration licences;
- Negotiations with the Department of Primary Industries and Resources South Australia are ongoing at the current time and no decision has been made at the date of this report to vary the licence or reduce the exploration area or expenditure commitments;
- Negotiations with other geothermal explorers are at very early stages; and
- The receipt and application of Federal funding recently announced which will assist in making the geothermal industry more commercially attractive is unclear to industry participants at the current time.

As such the Directors are unable to reliably measure the extent of impairment which may exist in relation to exploration and evaluation assets as at 30 June 2011 and no impairment has been recognised at balance date.

11. PAYABLES

	2011 $	2010 $
Trade creditors	40,657	112,972
Sundry creditors and accruals	34,900	35,700
	75,557	148,672

12. BORROWINGS

	2011 $	2010 $
Borrowings - related parties	161,758	106,375
	161,758	106,375

Further information relating to loans from related parties is set out in Note 16.

13. DEFERRED TAX LIABILITIES

	2011 $	2010 $
The balance comprises temporary differences attributable to:		
Exploration and evaluation assets	2,294,441	2,294,441

Reconciliation of movements

	2011 $	2010 $
Balance at the beginning of the year	2,294,441	-
Acquired on purchase of subsidiary (Note 18)	-	2,294,441
Balance at the end of the year	2,294,441	2,294,441

14. SHARE CAPITAL

Ordinary Shares

	2011		2011	
	Number	$	Number	$
Ordinary shares at 30 June	45,342,306	10,948,793	45,342,306	10,948,793
Opening Balance as at 1 July	45,342,306	10,948,793	85,855,750	7,640,351
Rights issue on 27 July 2009 (a)	-	-	12,913,499	258,270
Shortfall placement on 27 August 2009 (a)	-	-	72,942,251	1,458,845
Share placement on 1 September 2009 (b)	-	-	25,000,000	500,000
Share consolidation on 30 November 2009 (c)	-	-	(157,369,194)	-
Share placement issue on 22 December 2009 (d	-	-	2,500,000	500,000
Share issue in relation to acquisition on 14 January 2010 (e)	-	-	3,500,000	805,000
Less: transaction costs of issue	-	-	-	(213,673)
Closing Balance at 30 June	45,342,306	10,948,793	45,342,306	10,948,793

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The 3,500,000 ordinary shares issued to certain shareholders of Deep Energy Limited are subject to escrow for 12 months to 24 months from 3 February 2010, the date of reinstatement of the company's shares to the official list of the ASX.

14. SHARE CAPITAL (CONTINUED)

2011

There were no movements in share capital during the year ended 30 June 2011.

2010

(a) On 12 June 2009, the directors announced a rights issue to existing shareholders at 2 cents per share. A total of 12,913,499 ordinary shares were received from a total offer of 85,855,750 ordinary shares which were issued on 27 July 2009. 72,942,251 ordinary shares were not subscribed as part of the share placement and as a result these shares were released to the market on 27 August 2009 and subsequently subscribed for on market trading.

(b) The placement of additional 25,000,000 ordinary shares at 2 cents per share was announced and completed on 1 September 2009.

(c) On 30 November 2009, pursuant to the resolution of annual general meeting a consolidation of capital occurred. Every 5 ordinary shares on issue were consolidated into 1 share. The number of shares on issue was reduced from 196,711,500 shares to 39,342,306 shares following the share consolidation.

(d) On 23 November 2009, the company issued 2,500,000 ordinary shares at 20 cents per share. The offer was closed on 22 December 2009 and the shares have been fully subscribed.

(e) On 14 January 2010, the company issued 3,500,000 ordinary shares to certain shareholders of Deep Energy Limited in exchange for a total 7,000,000 ordinary shares in Deep Energy Limited (Note 18).

Options

	2011 $	2010 $
Options – Exercisable at 25c, expiry date 30 June 2012		
Opening Balance	5,400,000	27,000,000
Consolidation 30 November 2009	-	(21,600,000)
Closing Balance	5,400,000	5,400,000
Options – Exercisable at 25c, expiry date 30 June 2012		
Opening Balance	2,400,000	12,000,000
Consolidation 30 November 2009	-	(9,600,000)
Closing Balance	2,400,000	2,400,000
Options – Exercisable at 40c, expiry date 30 June 2012		
Opening Balance	2,400,000	12,000,000
Consolidation 30 November 2009	-	(9,600,000)
Closing Balance	2,400,000	2,400,000

14. ISSUE OF SECURITIES (CONTINUED)

2011

There were no options issued, exercised or expired during the year ended 30 June 2011

2010

On 30 November 2009, as part of the approved capital consolidation, existing options were reduced on a 5:1 basis. The number of options on issue was reduced from 51,000,000 to 10,200,000 options after consolidation. Accordingly, the option exercise price was amended in inverse proportions to the consolidation ratio, in accordance with ASX Listing Rules.

Capital Risk Management

The economic entity and parent entity's objectives when managing capital is to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the company may issue new shares or return capital to shareholders.

The Company's strategy, which is unchanged from 2010, was to maintain a sufficient level of cash to meet its obligation, when the debt is due and its investment commitment.

15. ASSET BACKING AND EARNINGS PER SHARE

	2011	2010
	$	$
Continuing Operations		
Net tangible asset backing (cents per share)	10.49	11.47
Basic earnings / (loss) per share (cents per share)	(0.97)	2.88
Diluted earning / (loss) per share (cents per share)	(0.97)	2.88
Earnings used in calculation of earnings per share	(441,976)	1,119,565
Ordinary shares as at 30 June	45,342,306	45,342,306
Weighted average number of ordinary shares on issue used in calculation of basic earnings per share (a)	45,342,306	38,897,548
Adjustment for calculation of diluted earning per share – options (b)	-	-
Weighted number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	45,342,306	38,897,548

(a) The number of ordinary shares in issue prior to the capital consolidation is adjusted in accordance with the proportional change in the number of outstanding ordinary shares after the capital consolidation as if the event had occurred at the beginning of the year. Accordingly, the comparative figure for the weighted average number of shares in prior year is restated for the capital consolidation.

(b) As the weighted average price of ordinary shares for the year did not exceed the weighted average exercise price, the share options are anti-dilutive and are ignored in the calculation of the diluted earnings per shares.

16. DIRECTORS AND DIRECTOR RELATED PARTIES

(a) Compensation of Key Management Personnel

	2011 $	2010 $
Directors fees	118,800	108,000
Post employment benefit	-	-
Other long-term benefits	-	-
Share based payments	-	-
Total	118,800	108,000

The key management personnel are the directors. Except as disclosed, there are no other persons considered as key management personnel that must be disclosed.

Detailed remuneration disclosures are provided in the remuneration report on page 11 to 12.

(b) Directors equity holdings (including relevant interests)

(i) Share holdings

The number of shares in the company held during the financial year by each director including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2011	**Balance 1 July 2010**	**Share Consolidation**	**Change/ Adjustment**	**Balance 30 June 2011**
Ordinary Shares				
V Bruce	50,000	-	-	50,000
R Poole	3,385,600	-	-	3,385,600
P Suriano	292,500	-	-	292,500

2010	**Balance 1 July 2009**	**Share Consolidation**	**Change**	**Balance 30 June 2010**
Ordinary Shares				
V Bruce	250,000	(200,000)	-	50,000
R Poole	16,928,000	(13,542,400)		3,385,600
P Suriano	1,462,500	(1,170,000)	-	292,500

(ii) Option holdings

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

16. DIRECTORS AND DIRECTOR RELATED PARTIES (CONTINUED)

2011	Balance 1 July 2010	Consolidation	Change	Balance 30 June 2011	Exercisable	Not Exercisable
Options						
V Bruce	-	-	-	-	-	-
R Poole	2,000,000	-	-	2,000,000	2,000,000	-
P Suriano	-	-	-	-	-	-

2010	Balance 1 July 2009	Consolidation	Change	Balance 30 June 2010	Exercisable	Not Exercisable
Options						
V Bruce	-	-	-	-	-	-
R Poole	10,000,000	(8,000,000)	-	2,000,000	2,000,000	-
P Suriano	-	-	-	-	-	-

The options held by R Poole were not provided in an employment or Director capacity but as a shareholder and as such no share based payments expense was recognised.

All options are exercisable at the end of the year.

(c) Directors and related party transactions and balances

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(i) Balances

	2011 $	2010 $
Receivables (Note 7)		
Real Brand and Business Pty Ltd	125,000	125,000
Borrowings (see Note 12)		
Arthur Phillip Pty Limited	-	79,000
Amanda Poole	155,605	25,000
Holloman Minerals	2,375	2,375
EBLR	3,500	-
Norfolk Management	278	-
	161,758	106,375

16. DIRECTORS AND DIRECTOR RELATED PARTIES (CONTINUED)

(ii) Transactions

(a) Mr Richard Poole is a director of Arthur Phillip Pty Limited. During the period, Arthur Phillip Pty Limited has provided accounting, office administration, consulting and company secretarial services to the Company, amounting to $76,753 (2010: $94,000).

(b) Mr Phillip Suriano is a director of Entertainment Marketing Enterprise Pty Ltd. During the period, Entertainment Marketing Enterprise Pty Ltd has provided consulting and management services in relation to capital raising and potential acquisitions for the Company, amounting to $Nil (2010: $50,000).

(c) Ms Virginia Bruce is a director of Reality Energy Attitude Life Pty Ltd. During the period, Reality Energy Attitude Life Pty Ltd had been reimbursed legal costs amounting to $15,000 from the parent company in relation to removing the directors names in Real Brand and Business Pty Ltd. (2010: nil).

(d) Amanda Poole, a related party of Mr Richard Poole had borrowed $40,000 to Deep Energy Limited, the subsidiary. In addition, the borrowings owed to Arthur Phillip Pty Ltd was transferred to Amanda Poole. The borrowing bears annual interest at 8.25% and total interest of the borrowing amounted to $11,605 for the current financial year.

Aggregate amounts included in the determination of loss from continuing operations before income tax that result from transactions with related parties are as follows:

	2011 $	2010 $
Revenue	-	-
Fees and charges	210,553	252,000
	210,553	252,000

Remuneration practices

Under the ASX Listing Rules, the maximum fee payable to Directors, except Non Executive Directors, may not be increased without prior approval from the Company at a general meeting. Non-Executive Directors must be paid a fixed sum – the board has set the amount payable to Non-Executive Directors in aggregate at $200,000 per annum.

Presently, Richard Poole is entitled to $48,000. Philip Suriano and Virginia Bruce are entitled to receive $30,000 per annum.

No Non-Executive Director shall be paid a commission or a percentage of profits or a commission on a percentage of operating revenue, and no Executive Director shall be paid a commission of operating revenue.

If a Director, being willing, is called on to perform extra services, or to make any special exertions in going or residing abroad or otherwise for the Company, the Company may remunerate that Director by payment of a fixed sum determined by the Board and that remuneration may be either in addition to or in substitution for that Directors share in the fixed pool of funds available to the Directors.

Each Director may also be paid all traveling and other expenses properly incurred by them in attending, participating in and returning from meetings of the Board or any committee of the Board or general meetings of the Company or otherwise in connection with the business of the Company.

17. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	$	$
Net profit / (loss) from ordinary activities after Income Tax	(455,004)	1,102,039
Depreciation	204	107
Non cash gain on acquisition of a subsidiary	-	(1,690,966)
Changes in operating assets and liabilities, net of effects from purchase of controlled entity:		
(Decrease)/Increase in receivables	26,768	89,988
Decrease/(Increase) in payables	(73,115)	(83,210)
Net cash (used in) operating activities	(501,147)	(582,042)
Cash and Cash Equivalents	1,526,714	2,046,831

18 Business Combination

(a) Description

On 14 January 2010, the company acquired 51.85% interest in Deep Energy Limited, a geothermal exploration company. As at 30 June 2010, the group retains the initial 51.85% ownership in Deep EnergyLimited and as such Deep Energy Limited is considered a subsidiary of the Company and forms part of the consolidated financial statements of the group.

Consideration for this sale comprised of $700,000 cash and 3,500,000 shares in Resources & Enegy Group Limited valued at $805,000.

(b) Net assets acquired and gain on purchase

Purchase consideration

Cash paid	700,000
Issurance of shares	805,000
Total purchase consideration	1,505,000

18 Business Combination (continued)

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

Cash and cash equivalents	740,223
Receivables	17,898
Property, plant and equipment	2,147
Exploration and development expenditure	8,200,000
Bonds	100,000
Payables	(168,629)
Borrowings	(433,332)
Deferred tax liabilities	(2,294,441)
	6,163,866
Less: Non controlling Interest (ii)	(2,967,900)
Less: Excess of fair value of net identifiable assets acquired over the cost of acquisition (i)	(1,690,966)
	1,505,000

(i) Bargain purchase
A gain on bargain purchase of $1,690,966 was included in other income. The bargain purchase is attributable to the high exploration potential for the geothermal licenses held by Deep Energy Limited

(ii) Non-controlling interests
In accordance with the accounting policy set out in note 3 (e), the Group elected to recognise the non-controlling interests in Deep Energy Limited as its proportionate share of acquired net identifiable assets.

(iii) Revenue and profit contribution
The acquired business contributed revenue of $4,187 and net loss of $36,401 to the group for the period from 14 January 2010 to 30 June 2010.

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been $65,793 and $1,040,542 respectively.

(c) Purchase consideration - cash outflow

	2011 $	2010 $
Cash consideration	-	700,000
Less: Cash and cash equivalents acquired	-	(740,223)
Outflow/(inflow) of cash - investing activities	-	(40,223)

19. SHARE-BASED PAYMENTS

There were no options granted during the years ended 30 June 2011.

20. DIVIDENDS

No dividends have been declared or paid during the year ended 30 June 2011 or in the prior period, and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2011.

21. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstances have arisen in the interval since 30 June 2011 and up to the date of this report, that in the option of the directors has significantly affected or may significantly affect the operations of the Group, the results of those operations or state of affairs of the Group in future financial years other than:

(a) Deep Energy Limited, the subsidiary has made application to PIRSA to vary the orginal licences with a view to reducing the overall area and commitments whilst retaining the more prospective areas. The application process is at a preliminary stage.

(b) The Company has applied for four exploration licences with the Queensland Mine Department over an area located in Queensland identified as having potential for uranium exploration. The application has been accepted by the Queensland Mine Department.

22. TENEMENT LEASE COMMITMENTS

The Group current holds 12 geothermal exploration licences ("GEL") which have been granted for a period of 5 years with individual expiry date in March 2013 and May 2014.

Each GEL is bound by a "minimum work program". The minimum work program accepted by PIRSA for for the various GELs has an indicative total cost as set below:

	2011 $	2010 $
Minimum Expenditure commitment on tenement leases		
Committed but not provided for and payable:		
Within one year	433,780	400,000
One year or later and no later than for five years	3,200,000	3,600,000
Later than five years	-	-
	3,633,780	4,000,000

The Group is in discussion with the Department of Primary Industries and Resources South Australia to vary the exploration licences. Therefore the expenditure commitment will change once a new arrangement is made.

22. TENEMENT LEASE COMMITMENTS (continued)

Due to the ongoing discussion with PIRSA and that the Company is in the process of assessing the commercial viability of continuing current exploration. It is very diffcult to forecast the nature and the amount of future expenditure.

23. SEGMENT REPORTING

The Group has one reportable segment, being the exploration of geothermal energy in South Australia. The Group has twelve Geothermal Licences in the state of South Australia. Due to the fact that all geothermal licences are in SA and at a similar exploration stage, they have been aggregated as one reportable operating segment.

Management will continue to assess the reporting format in future periods and if reporting changes to a different basis, additional segment information will be included.

The Company has identified its operating segments based on internal reports that are reviewed and used by the directors in assessing performance. The accounting policies and amounts reported for internal reporting are consistent with the AIFRS financial information reported in this financial report.

23. SEGMENT REPORTING (CONTINUED)

2011	Exploration & Drilling for geothermal energy	Unallocated	Total
Revenue			
Segment Revenue	6,000	99,600	105,600
Depreciation	204	-	204
Loss after income tax (a)	27,056	427,948	455,004
Segment total assets (b)	8,625,368	3,108,174	11,733,542
Segment total liabilities	2,604,579	38,366	2,642,945
Cash flow information			
Net cash inflows / (outflows) from operating activities	(27,056)	(474,091)	(501,147)
Net cash inflows / (outflows) from investing activities	(74,353)	-	(74,353)
Net cash inflows / (outflows) from financing activities	55,383	-	55,383

2010	Exploration & Drilling for geothermal energy	Unallocated	Total
Revenue			
Segment Revenue	4,188	64,618	68,806
Depreciation	107	-	107
Loss after income tax (a)	36,401	552,526	588,927
Segment total assets (b)	8,643,945	3,562,333	12,206,278
Segment total liabilities	2,516,480	33,008	2,549,488
Cash flow information			
Net cash inflows / (outflows) from operating activities	(719)	(581,323)	(582,042)
Net cash inflows / (outflows) from investing activities	(349,179)	40,223	(308,956)
Net cash inflows / (outflows) from financing activities	(326,957)	2,503,442	2,176,485

23. SEGMENT REPORTING (CONTINUED)

Unallocated amounts represent corporate activities such as administration and office costs.

(a) Loss after tax

A reconciliation of total loss after tax to the consolidated profit for the year is provided as follows:

	2011 $	2010 $
Total loss after tax	(455,004)	(588,927)
Net gain recognized on the acquisition of a subsidiary	-	1,690,966
Profit / (Loss) for the year	(455,004)	1,102,039

(b) Segment assets

Reportable segments' assets are reconciled to total assets as follows:

	2011 $	2010 $
Segment assets	11,733,542	12,206,278
Inter-segment elimination	(1,505,000)	(1,505,000)
Total assets as per the balance sheet	10,228,542	10,701,278

All segment revenue are attributed to Australia and all segment assets are located in Australia.

(c) Segment liabilities
Reportable segment's liabilities are reconciled to total liabilities as follows:

	2011 $	2010 $
Segment liabilities	2,642,945	2,549,488
Inter-segment elimination	(111,189)	-
Total liabilities as per the balance sheet	2,531,756	2,549,488

24. FINANCIAL INSTRUMENTS

The nature of the operation of the Group does not result in substantial financial risk. The assessed risks lie primarily in credit risk, liquidity risk and interest rate risk. The directors consider that the limited risks means there is no need to enter into risk management strategy involving derivative instruments.

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which has been recognised on the balance sheets, other than investments in shares is generally the carrying amount, net of any provisions for doubtful debts.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Trade and sundry receivables are expected to be received as follows:

	2011 Gross $	2011 Impairment $	2010 Gross $	2010 Impairment $
Less than 6 months	76,460	-	103,288	-
Over 6 months	125,000	125,000	125,000	125,000
	201,460	125,000	228,288	125,000

The Impairment loss at 30 June 2011 relates to the $125,000 of receivable from Real Brand and Business Pty Limited given the uncertainty as to its collectability See note 3(r) for further details.

All other receivables are expected to be collected within 6 months from balance date.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as changes in interest rates will impact the future cash flows from these assets and liabilities. The Group intends to invest all surplus cash assets in term deposits which bear fixed interest rates.

24. FINANCIAL INSTRUMENTS (CONTINUED)

	Rate*	Floating interest rate	Fixed 1 year or less	Non-interest bearing	Total
2011					
Financial assets					
Cash and Deposits	5.93%	19,004	1,507,710	-	1,526,714
Receivables	0%	-	-	76,460	76,460
Total Financial Assets		19,004	1,507,710	76,460	1,603,174
Financial Liabilities					
Trade and Other creditors	0%	-	-	75,557	75,557
Borrowings	8.25%	-	155,605	6,153	161,758
Total financial liabilities		-	155,605	81,710	237,315
2010					
Financial assets					
Cash and Deposits	4.75%	235,917	1,810,914	-	2,046,831
Receivables	0%	-	-	103,228	103,228
Total Financial Assets		235,917	1,810,914	103,228	2,150,059
Financial Liabilities					
Trade and Other creditors	0%	-	-	148,672	148,672
Borrowings	0%	-	-	106,375	106,375
Total financial liabilities		-	-	255,047	255,047

* Weighted average rate of return
Receivables and payables bears no interest and are not subject to substantial interest rate risk due to their short-term nature.

(c) Interest Rate Sensitivity Analysis

A sensitivity analysis was performed relating to the exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which should result from a change in these risks.

24. FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2011 **$**	**2010** **$**
Change in profit		
- Increase in interest rate by 5%	4,530	4,861
- Decrease in interest rate by 5%	(4,530)	(4,861)
Change in equity		
- Increase in interest rate by 5%	4,530	4,861
- Decrease in interest rate by 5%	(4,530)	(4,861)

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash, term deposits and committed available credit lines.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. The Group has established comprehensive risk reporting covering its operations that reflect expectations of management of the expected settlement of financial assets and liabilities.

Management believes that the liquidity risk is minimal at 30 June 2011 as the company held sufficient cash to repay its liabilities.

(e) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purpose.

The carrying value of cash and cash equivalents, receivables and payables are assessed to approximate their fair value due to their short-term nature.

25. SUBSIDIARIES

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Deep Energy Limited	Australia	Ordinary	51.85	51.85

26. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2011 $	2010 $
Balance Sheet		
Current Assets	1,519,554	2,057,333
Total Assets	3,135,744	3,562,333
Current Liabilities	34,366	33,008
Total Liabilities	34,366	33,008
Sharesholders's contributed equity	10,948,793	10,948,793
Accumulated Losses	(7,847,415)	(7,419,468)
	3,101,378	3,529,325
Profit or Loss for the year		
Total Comprehensive income/(loss) for the year	(427,948)	(552,526)

(b) Contingent Liabilities of the Parent

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2011.

(c) Commitments

The parent entity did not have any contractural commitment as at 30 June 2010 or 30 June 2011.

RESOURCES & ENERGY GROUP LIMITED

DIRECTORS' DECLARATION

for the year ended 30 June 2011

The directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

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

    (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a)

2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

RJ Poole
Chairman

Sydney, 19 September 2011

prosperity audit services

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RESOURCES & ENERGY GROUP LIMITED
FOR THE YEAR ENDED 30 JUNE 2011

Report on the Financial Report

We have audited the accompanying financial report of Resources & Energy Group Limited (the company), which comprises the statement of financial position as at 30 June 2011, 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 and other explanatory notes and the directors' declaration for both Resources & Energy Group Limited and Controlled Entities (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 control 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, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Sydney
Level 2
580 George Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 9261 2288
F 02 9261 2376

Newcastle
Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 4929 6759

Brisbane
Suite 1, Level 3
200 Creek Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755
F 07 3839 1037

mail@prosperityadvisers.com.au
www.prosperityadvisers.com.au

Prosperity Audit Services
ABN 87 879 283 831

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RESOURCES & ENERGY GROUP LIMITED
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included on page 20 of the financial report.

Auditor's Opinion

In our opinion, the financial report of Resources & Energy Group Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their 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.

Material uncertainty in relation to the impairment of Exploration and Evaluation Assets

Without qualifying our opinion, we draw attention to Note 1(r)(iii) and Note 10 in the financial report which indicates that that there are indicators of impairment with respect to exploration and evaluation assets. However given the uncertainty which currently exists the Directors have been unable to reliably measure and recognise the impact of this impairment as at 30 June 2011.

Accordingly, material uncertainty exists over the extent of any impairment of exploration and evaluation assets not recognised in the financial statements as at 30 June 2011.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RESOURCES & ENERGY GROUP LIMITED
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 13 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Resources & Energy Group Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

19 September 2011
Sydney

ADDITIONAL INFORMATION

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited.

1. SHAREHOLDER INFORMATION

(a) Distribution of holders as at 06 September 2011

			Fully Paid ordinary shares
Number of Holders			
Distribution is:			
1	-	1,000	3
1,001	-	5,000	156
5,001	-	10,000	92
10,001	-	100,000	144
100,001	and	Over	42
			437
Holding less than a marketable parcel			160

(b) Substantial shareholders as at 06 September 2011

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares	%
Richard Poole	3,385,600	7.47%
Sanjur Pty Ltd	2,412,036	5.32%
Riverbend Pty Ltd	2,085,833	5.30%
Gaffwick Pty Ltd	2,085,833	5.30%

(c) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(d) The difference in results reported in ASX

The results reported on 31 August 2011 to the Australian Securities Exchange in the preliminary final report do not differ from the results reported in the accounts.

(e) Restricted Securities

500,000 restricted fully paid ordinary shares to be released from escrow on 3 February 2012.

(f) Unquoted equity securities as at 06 September 2011

Options	Number on Issue	% held
Expiry 30 June 2012 and $0.25 exercise price		
Ms Amanda Poole	2,000,000	37.0%
Other holders	3,400,001	63.0%
	5,400,001	100.0%
Expiry 30 June 2012 and $0.25 exercise price		
Gaffwick Pty Limited	800,000	33.3%
Riverbend Investment Pty Limited	800,000	33.3%
Sanjur Pty Limited	800,000	33.3%
	2,400,000	100.0%
Expiry 30 June 2012 and $0.40 exercise price		
Gaffwick Pty Limited	800,000	33.3%
Riverbend Investment Pty Limited	800,000	33.3%
Sanjur Pty Limited	800,000	33.3%
	2,400,000	100%

RESOURCES & ENERGY GROUP LIMITED AND CONTROLLED ENTITY

ADDITIONAL INFORMATION (CONT)

(g) Top Twenty Shareholders as at 06 September 2011

	Name	Number of Shares	% of Issued Shares
1	ARTHUR PHILLIP NOMINEES PTY LTD	11,710,415	26.115
2	ARTHUR PHILLIP NOMINEES PTY LTD	3,472,900	7.745
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,611,000	5.823
4	GAFFWICK PTY LIMITED	2,083,334	4.646
5	RIVERBEND INVESTMENTS PTY LTD	2,083,334	4.646
6	SANJUR PTY LIMITED	1,912,036	4.264
7	BIRKDALE PTY LIMITED <RISINGER SUPERFUND ACCOUNT>	1,500,000	3.345
8	ARTHUR PHILLIP NOMINEES PTY LTD	1,262,691	2.816
9	DAJUJE PTY LTD <ATKINSON SUPER FUND A/C>	1,000,000	2.230
10	IRONWOOD INVESTMENTS PTY LIMITED <PHILLIPS SUPER FUND A	969,601	2.162
11	ARGENTO PTY LTD <MURPHY FAMILY A/C>	865,000	1.929
12	MR HARRY WILLIAM GRIFFITHS	800,000	1.784
13	CLODENE PTY LTD	660,000	1.472
14	BRITISH & COLONIAL INVESTMENTS PTY LTD	560,308	1.250
15	ARDROY SECURITIES PTY LTD <CAMERON INVESTMENT UNIT A/C>	517,100	1.153
16	GAFFWICK PTY LIMITED	500,000	1.115
17	RIVERBEND INVESTMENTS PTY LIMITED	500,000	1.115
18	SANJUR PTY LIMITED	500,000	1.115
19	M J H NIGHTINGALE & CO PTY LTD	463,500	1.034
20	BLUESTAR MANAGEMENT PTY LTD	400,000	0.892
21	MR ROBERT NAYLOR & MRS MARJORIE NAYLOR <ROBERT NAYLOI	400,000	0.892
22	MR VINCE TRUDA <VINCE TRUDA S/F A/C>	400,000	0.892