

12 September 2014

Dear Shareholder

On behalf of the Board, I am writing to strongly encourage you to take this opportunity to subscribe for shares being offered in the Royal Resources Limited (Royal) Share Purchase Plan (SPP) which is now open and will close on the 10 October 2014.

The proceeds from the SPP are essential for the advancement of the **Razorback Premium Iron Project (RPIP)**, in a timely and efficient manner, through to the Feasibility Stage.

Based on our preliminary financial modelling which has been independently verified, the details of which have been released to the market, demonstrates the RPIP presents a compelling investment case.

Competition for shareholders funds in the current market is intense and I believe that transparency as to how we propose to putting the new capital to use is essential.

Elements of the project that we must address, supported by the funds raised through the SPP, include; payment of the significantly reduced tenement acquisition payments of \$2.6 million payable to Mintech Resources Pty Ltd and Goldus Pty Ltd, development of a Mining Lease Proposal, a requirement for a Mining Lease Application , elevation of in-pit crushing and conveying from Scoping to Pre-Feasibility status, negotiation of a Native Title Mining Agreement and design and environmental studies for the expanded production case Tailing Storage Facility . All these activities will assist us to take the project through to the Feasibility Stage.

Completion of these essential elements of the process will also considerably de-risk the project and, we believe, unlock material shareholder value.

**Magnetite** is a commodity that is highly sought after by domestic steel producers in China, USA and Russia. Demand for magnetite ores is increasing significantly. The primary drivers for this rising demand are the higher iron content and reactive characteristics in magnetite ores which increase blast furnace efficiency and lower energy requirements. Reduced energy requirements deliver cost savings and also lower the environmental impact, a particular driver of Chinese demand.

We provide some interesting facts about magnetite as an attachment to this letter and of course there is further information on our website and in our regular newsletters.

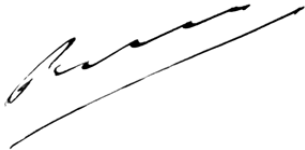
**Mr. Gordon Toll**, a major shareholder of Royal was a founding Director of the Fortescue Metals Group Ltd., a highly successful iron ore producer in Western Australia. Mr. Toll has been involved in many successful mining ventures in iron ore throughout the world. Royal and Mr Toll's Braemar Infrastructure Pty Ltd (BIPL) are collaborating in the development of an iron

concentrate export solution for the Braemar Iron Region in South Australia. BIPL has received Major Development status from the South Australian Government and are proposing to build, own and operate a slurry pipeline, water delivery, power communications and ship loading requirements for Royal's RPIP on a multi-user basis.

In the Board's opinion, our current market capitalisation of Royal considerably understates the value of our assets. In addition, there is no consideration in our current share price for other potential development projects within our 100%-owned Red Dragon Venture areas in South Australia.

Therefore, I urge you to consider your position as a shareholder and take advantage of this significant market disparity by participating in the SPP. The Board is confident that considerable shareholder value will be unlocked during the next phase of your company's journey along the path to development and beyond.

On behalf of the Board of Royal Resources Limited,

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

**Philip Crabb**  
Chairman

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# Magnetite – The Future of Global Steel Production

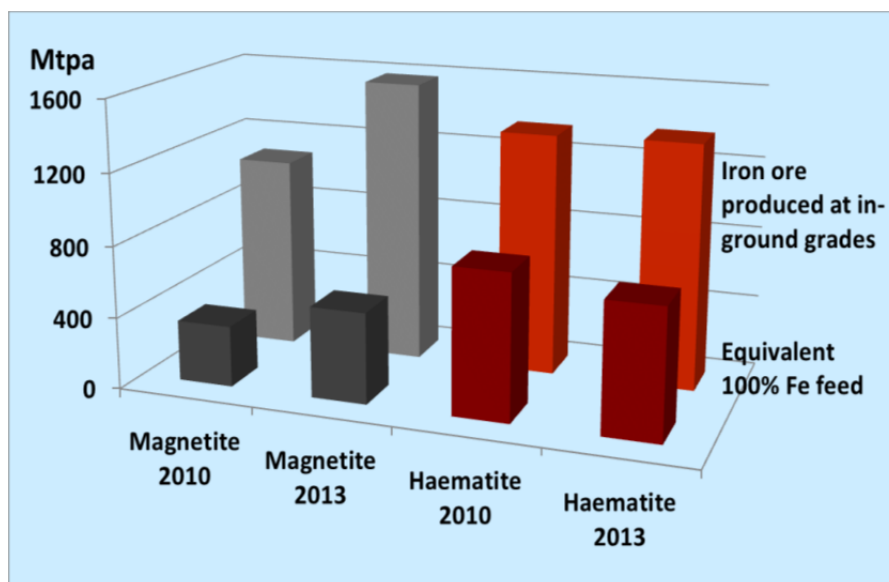
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## The key drivers for increasing magnetite demand globally are:

- Higher iron content in magnetite increases blast furnace efficiency
- Lower blast furnace energy intensity use as a result: eg. smelting only iron, not silica or alumina
- Additional lower energy use as magnetite reaction is exothermic (releases energy) therefore requires less coke input to sinter or smelt
- Lower energy use means lower environmental impact, a key driver of Chinese demand

## The role of magnetite iron ore in the world steel making market

- Three major countries: China, USA, and Russia, have a domestic steel industry dominated by magnetite feeds. Canada, Iran, Sweden, Ukraine and Kazakhstan are major exporters of magnetite iron ore
- Demand for magnetite ores, as a feedstock into blast furnaces around the world, is increasing significantly as haematite iron ore grades decrease:



## World iron ore production and usage 2010 and 2013

Note that magnetite use in steel production has increased over the period presented whilst haematite has actually decreased. This is in spite of the actual amount of haematite ore mined increasing. The latter feature illustrates the diminishing haematite grades that are being presented to the steel mills.

Source U.S. Geological Survey, Mineral commodity summaries 2011 and 2013 and Royal Resources analysis

## ASX Announcement

12 September 2014

# Share Purchase Plan Offer

Dear Shareholder

### 1. Introduction

On behalf of the directors of Royal Resources Limited ABN 34 108 102 432 (**Company**), I am pleased to offer Eligible Shareholders (as defined in Section 3 of the enclosed Terms and Conditions) the opportunity to participate in the Royal Resources Limited Share Purchase Plan (**Plan**).

Under the Plan, Eligible Shareholders may purchase up to \$15,000 worth of new fully paid ordinary shares in the Company (**Shares**) (subject to any pro-rata scale back) without paying brokerage or other transaction costs.

### 2. Purpose of the Plan and use of funds

Royal announced the Plan on 8 September 2014.

The Company will raise up to \$4.183 million under the Plan, which will be used to advance the Company's Razorback Premium Iron Project in South Australia including:

- payment of the significantly reduced RPIP tenement acquisition payments of \$2.6 million owed to Mintech Resources Pty Ltd and Goldus Pty Ltd;
- development of a Mining Lease Proposal, a requirement for a Mining Lease Application;
- elevation of in-pit crushing and conveying from a Scoping level to a Pre-Feasibility status;
- negotiation of a Native Title Mining Agreement;
- design and environmental studies for the expanded production case Tailings Storage Facility; and
- pay costs of the capital raising.

### 3. Summary of Offer

The following is a summary of the key details in relation to the offer of Shares under the Plan (**Offer**). Please carefully read the full terms and conditions of the Offer, as you will be bound by them.

- (a) **Offer to Eligible Shareholders only:** The Offer is only open to Eligible Shareholders (as defined in Section 3 of the enclosed Terms and Conditions), which means you are required to be registered as a holder of Shares:
- (i) whose registered address is in Australia or New Zealand; and
- (b) as at 5.00pm WST on 5 September 2014.
- (c) **Optional, but not transferable:** Participation in the Plan is optional, but the right of Eligible Shareholders to participate in the Plan is not transferable
- (d) **Issue price:** The issue price is \$0.04 per Share, which represents a discount of:
- (i) 20% to the closing price of \$0.05 per Share on 5 September 2014 (being the last trading day prior to the announcement of the Plan); and
  - (ii) 18.4% to the five day volume weighted average price of \$0.049, up to and including 5 September 2014.
- (e) **Maximum/minimum amounts and increments:** If you are an Eligible Shareholder, you may apply to purchase a parcel of Shares for a minimum price of \$2,000 and up to a maximum price of \$15,000. Eligible Shareholders have the ability to subscribe for six different amounts of shares:

|          | <b>Subscription Amount<br/>(\$A)</b> | <b>New Shares to be issued<br/>calculated at the Issue Price</b> |
|----------|--------------------------------------|--|
| Option A | \$2,000 (minimum)                    | 50,000   |
| Option B | \$5,000                              | 125,000  |
| Option C | \$7,000                              | 175,000  |
| Option D | \$10,000                             | 250,000  |
| Option E | \$12,000                             | 300,000  |
| Option F | \$15,000 (maximum)                   | 375,000  |

The purchase price for each Share under the Plan is \$0.04 per Share. You may only subscribe for whole numbers of Shares in the options stated above, as no fraction of Shares will be issued.

If you have two or more registered holdings of Shares, the total of all your applications must not exceed \$15,000. The Company reserves the right to decline applications from multiple registered holdings if the total exceeds \$15,000, including where those registered holdings are in similar, but not identical names, are held directly or indirectly, or are held alone or with others.

- (f) **Scale Back:** The Company intends to raise up to \$4.183 million under the Plan. However, the Company reserves the right to issue fewer Shares than an Eligible Shareholder applies for under the Plan, or no Shares and any determination by the Directors in respect of any scaling back will be final. If a scale back occurs, the Company will refund any excess application money to Eligible Shareholders (without interest).
- (g) **Application procedure:** The Offer opens at 9.00am WST on 12 September 2014 and closes at 5.00pm WST on 10 October 2014. No late applications will be accepted.

However, the Directors reserve the right to extend the closing date. To apply for shares under the Plan, Eligible Shareholders may either:

- (i) return the completed Application Form in accordance with the details on that form, together with a cheque, bank draft or money order; or
- (ii) pay directly via BPAY® on the internet or by telephone, in accordance with the instructions on the Application Form.

Application Forms must be received by the Company's share registry, or a BPAY® payment must be received by no later than 5.00pm (WST) on 10 October 2014.

Full details as to applying for Shares under the Plan are set out in the enclosed Terms and Conditions and Application Form.

#### **(4) Additional information**

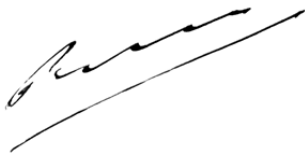
You should be aware that the market price of the Shares on the ASX may rise and fall between the date of the Offer and the date that the Shares are issued under the Plan. As a result, the number of Shares that you receive may be more or less than the number you might calculate using the market price of Shares on the date the Shares are issued.

The Plan does not take into account the individual investment objectives, financial situation, tax position or particular needs of each Eligible Shareholder. You should consider seeking independent financial and taxation advice before making a decision whether or not to accept the Offer.

Please carefully read the Terms and Conditions relating to the Offer, as you will be bound by them.

If you have any questions in respect of the Plan, the Offer, or these Terms and Conditions please contact Frank DeMarte, Director & Company Secretary on +61 8 9316 1356.

Yours sincerely



**Philip Crabb**  
Chairman

**ROYAL RESOURCES LIMITED**  
**SHARE PURCHASE PLAN - TERMS AND CONDITIONS**

The following are the terms and conditions of the Offer under the Plan (**Terms and Conditions**). By accepting the offer to subscribe for Shares under the Plan, you will have agreed to be bound by these Terms and Conditions and the Company's constitution.

**1. Class order 09/425 issued by the Australian Securities and Investments Commission**

The Offer has been structured to comply with the Australian Securities and Investments Commission Class Order 09/425 (as may be amended from time to time) (**ASIC Class Order 09/425**) to enable the Company to issue Shares without a prospectus.

**2. Opening and closing date of the Offer**

The Offer opens at 9.00am WST on 12 September 2014.

The Offer closes at 5.00pm WST on 10 October 2014.

No late applications will be accepted; however the Directors reserve the right to extend the closing date.

**3. Who is eligible to participate in the offer?**

You are eligible to apply for Shares in the Offer if:

- your registered address, as recorded in the Company's register of members, is in Australia and New Zealand; and
- you were registered as a holder of Shares as at 5.00pm WST on 5 September 2014 (**Eligible Shareholder**).  
(each an **Eligible Shareholder**).

The Offer to each Eligible Shareholder is made on the same Terms and Conditions.

The Offer is non-renounceable (ie. you may not transfer your right to subscribe for Shares under the Offer to anyone else).

**4. Is the Offer voluntary?**

The Offer is entirely voluntary and is subject to these Terms and Conditions. You do not have to participate if you don't want to.

**5. How was the issue price determined?**

The issue price for each Share under the Offer is \$0.04. This price is a 18.4% discount to the volume weighted average market price of Shares in the Company sold on the ASX during the previous five trading days ending 5 September 2014, and a 20% to the closing price of \$0.05 per Share on 5 September 2014 (being the last trading day prior to the announcement of the Plan).

**6. Important information on price risk to consider**

Before deciding whether to accept the Offer, you should refer to the current market price of Shares, which can be obtained from the financial pages of your daily newspaper, your stockbroker, your financial adviser, or the ASX. Please note that the market price of Shares may rise or fall between the date of this Offer and the date when the Shares are issued to you under the Plan. This means that the price you pay per Share under this Offer may be greater than or less than the price of Shares at the time the Shares are issued to you pursuant to this Offer. **In determining whether you wish to participate in this Offer and the extent to which you participate, you should seek your own personal financial and/or taxation advice referable to your own circumstances.**

**7. How much can you invest in the Offer?**

Subject to paragraph 8, if you are an Eligible Shareholder under the Plan, you can subscribe for Shares as follows:

|          | <b>Subscription Amount<br/>(\$A)</b> | <b>New Shares to be issued<br/>calculated at the Issue Price</b> |
|----------|--------------------------------------|--|
| Option A | \$2,000 (minimum)                    | 50,000   |
| Option B | \$5,000                              | 125,000  |
| Option C | \$7,000                              | 175,000  |
| Option D | \$10,000                             | 250,000  |
| Option E | \$12,000                             | 300,000  |
| Option F | \$15,000 (maximum)                   | 375,000  |

Please note that the maximum limit of 375,000 Shares applies to you even if you receive more than one Offer from the Company. For example, if you are both a sole and a joint shareholder of the Company as at 5 September 2014, you can only apply for Shares under the Offer once, either in your capacity as sole shareholder or joint shareholder, not both.

No fractions of Shares will be issued.

**8. Custodian Certification**

If on 5 September 2014 you are a custodian within the definition of "custodian" in ASIC Class Order 09/425 (**Custodian**) and hold Shares on behalf of one or more persons (each a **Participating Beneficiary**), you may apply for up to a maximum of \$15,000 worth of Shares for each Participating Beneficiary, subject to providing a notice in writing to the Company on application for Shares pursuant to the Offer certifying the following:

- (a) either or both of the following:
  - (i) that the Custodian holds Shares on behalf of one or more other persons (**Participating Beneficiaries**) that are not Custodians; and



- (ii) that another Custodian (**Downstream Custodian**) holds beneficial interests in Shares on behalf of one of more other persons (each a Participating Beneficiary), and the Custodian holds the Shares to which those beneficial interests relate on behalf of the Downstream Custodian or another Custodian,

on the Record Date and that each Participating Beneficiary has subsequently instructed the following persons:

- (iii) where paragraph 8(a)(i) applies - the Custodian; and
- (iv) where paragraph 8(a)(ii) applies - the Downstream Custodian,

to apply for Shares on their behalf under the Plan;

- (b) the number of Participating Beneficiaries;
- (c) the name and address of each Participating Beneficiary;
- (d) in respect of each Participating Beneficiary:
  - (i) where paragraph 8(a)(i) applies - the number of Shares that the Custodian holds on their behalf; and
  - (ii) where paragraph 8(a)(ii) applies - the number of Shares to which the beneficial interests relate;
- (e) in respect of each Participating Beneficiary:
  - (i) where paragraph 8(a)(i) applies - the number or the dollar amount of Shares they instructed the Custodian to apply for on their behalf; and
  - (ii) where paragraph 8(a)(ii) applies - the number or the dollar amount of Shares they instructed the Downstream Custodian to apply for on their behalf;
- (f) that there are no Participating Beneficiaries in respect of which the total of the application price for the following exceeds \$15,000:
  - (i) the Shares applied for by the Custodian on their behalf under the Plan with the instructions referred to in paragraph 8(e); and
  - (ii) any other Shares issued to the Custodian in the 12 months before the application as a result of an instruction given by them to the Custodian or the Downstream Custodian to apply for Shares on their behalf under an arrangement similar to the Plan;
- (g) that a copy of this Offer document was given to each Participating Beneficiary; and
- (h) where clause paragraph 8(a)(ii) applies – the name and address of each Custodian who holds beneficial interests in the Shares held by the Custodian in relation to each Participating Beneficiary.

In providing a certificate under this paragraph 8, the Custodian may rely on information provided to it by the Participating Beneficiary and any Custodian who holds beneficial interests in the Shares held by the Custodian.

For the purpose of ASIC Class Order 09/425, you are a Custodian if you are a registered holder of Shares that:

- (a) holds an Australian financial services licence that:
  - (i) covers the provision of a custodial or depositary service; or
  - (ii) covers the operation of an IDPS (as defined in ASIC Class Order [CO 13/763]); or
- (b) is exempt from the requirement to hold an Australian financial services licence for the provision of a custodial or depositary service under:
  - (i) paragraph 7.6.01(1)(k) of the Corporations Regulations 2001 (Cth) (**Regulations**); or
  - (ii) paragraph 7.6.01(1)(na) of the Regulations; or
  - (iii) ASIC Class Order [CO 05/1270] to the extent that it relates to ASIC Class Order [CO 03/184]; or
  - (iv) ASIC Class Orders [CO 03/1099], [CO 03/1100], [CO 03/1101], [CO 03/1102], [CO 04/829] or [CO 04/1313]; or
  - (v) an individual instrument of relief granted by ASIC to a person in terms similar to one of the class orders referred to in subparagraph (iv); or
  - (vi) paragraph 911A(2)(h) of the Corporations Act 2001 (Cth); or
- (c) is a trustee of a:
  - (i) self-managed superannuation fund; or
  - (ii) superannuation master trust;
- (d) is the responsible entity of an IDPS-like scheme; or
- (e) is the registered holder of Shares and is noted on the register of members of the body or scheme (as the case may be) as holding the shares or interests on account of another person.

If you hold Shares as a trustee or nominee for another person, but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings set out in paragraph 7 apply.

**9. Shareholder certification**

Subject to paragraph 8, an Eligible Shareholder must, on application for Shares pursuant to the Offer, certify to the Company that the total of the application price for the following does not exceed \$15,000:

- (a) the Shares the subject of the application under the Plan;
- (b) any other Shares issued to the Eligible Shareholder under the Plan or any similar arrangement in the 12 months before the application under the Plan; and
- (c) any other Shares which the Eligible Shareholder has instructed a Custodian to acquire on their behalf under the Plan; and
- (d) any other Shares issued to a Custodian in the 12 months before the application under the Plan as a result of an instruction given by the Eligible Shareholder to the Custodian to apply for Shares on their behalf under an arrangement similar to the Plan.

**10. Costs of participation**

The only cost to you associated with the Offer is the issue price of the number of Shares you wish to subscribe for. Under the Offer you do not have to pay for brokerage, commission or other transaction costs which would normally apply when you acquire Shares on market.

**11. Issue of Shares and variation on number of Shares issued**

The Shares will be issued within 4 business days after the closing date.

The Company's share registry, Computershare Investor Services Pty Ltd, will send to you a holding statement in due course.

Without limiting the above, the Company reserves the right to issue fewer Shares than an Eligible Shareholder applies for under the Offer or no Shares, in the Company's discretion or if the Company believes the issue of those Shares would contravene any law or the ASX Listing Rules. No interest will be paid on any money returned.

In the event the Company wishes to issue fewer Shares than an Eligible Shareholder applies for or is not permitted to issue all the Shares offered as a result of any law or ASX Listing Rule. The Company will use its best endeavours to allocate Shares to Shareholders applying for Shares on a pro-rata basis.

**12. What rights will the Shares carry?**

Once the Shares are issued, they will rank equally with existing fully paid ordinary shares in the Company and will carry the same voting rights, dividend rights, and entitlements to dividends, rights and bonus issues.

**13. Can the Company change the Plan?**

The Plan may be changed, suspended or terminated by the Company at any time. If the Company changes, suspends or terminates the Plan it will advise ASX. The

accidental omission to give notice of changes to or suspension or termination of the Plan or the non-receipt of any such notice will not invalidate the change, suspension or termination.

**14. Directors' participation**

The directors of the Company, as Eligible Shareholders, may participate in the Offer (without having to obtain shareholder approval), on the same terms as all other shareholders in the Company.

**15. How do you pay for the Shares?**

All amounts in this Offer are expressed in Australian dollars.

- (a) You must pay for the Shares by cheque, bank draft or money order in Australian dollars. Please make your cheque, bank draft or money order payable to "**Royal Resources Limited**" and cheques are crossed "**Not Negotiable**". Applicants must not forward cash. Receipts for Application Payments will not be issued.

Please post to:

Computershare Investor Services Pty Ltd  
GPO Box 505 Melbourne  
Victoria 3001 Australia

**OR**

- (b) Make a payment using BPAY® in accordance with the instructions on the Application Form. If paying via BPAY®, Eligible Shareholder should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Eligible Shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Application Form (which includes the Biller Code and your unique Customer Reference Number) and you will not need to return the Application Form.

**If paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number on your Application Form. If you receive more than one personalised Application Form, you will need to complete individual BPAY® transactions using the Customer Reference Number specific to each individual personalised Application Form that you receive.** The maximum investment any shareholder may apply for will remain \$15,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account).

Please provide a cheque, bank draft or money order or make the BPAY payment for the exact amount.

If you do not provide the exact amount, the Company reserves the right to return your BPAY payment or your Application Form and cheque, bank draft or money order. If

the Company returns your BPAY payment or Application Form and cheque, bank draft or money order, no Shares will be issued to you.

You have a choice of 6 options of amounts of Shares of which you may subscribe for one.

These are detailed below:

|          | <b>Subscription Amount<br/>(\$A)</b> | <b>Shares to be issued<br/>calculated at the Issue Price</b> |
|----------|--------------------------------------|--|
| Option A | \$2,000 (minimum)                    | 50,000   |
| Option B | \$5,000                              | 125,000  |
| Option C | \$7,000                              | 175,000  |
| Option D | \$10,000                             | 250,000  |
| Option E | \$12,000                             | 300,000  |
| Option F | \$15,000 (maximum)                   | 375,000  |

**16. Will the Shares be quoted on the ASX?**

The Company will apply for the Shares issued to you to be quoted on ASX, within the relevant period specified in the ASX Listing Rules.

**17. How is a dispute resolved?**

The Company may settle any dispute in connection with the Plan in any manner it thinks fit, whether generally or in relation to any participant, application or Share. The Company's decision shall be final and binding.

The Company reserves the right to waive strict compliance with any provision of these Terms and Conditions.

## HOW DO YOU APPLY FOR SHARES UNDER THE OFFER

1. If you want to participate in this Offer please carefully read the Terms and Conditions relating to the Offer.
2. Complete all the required details in the enclosed Application Form, noting that all amounts are expressed in Australian dollars:
  - (i) Enter the exact number of Shares you want to subscribe for noting that the minimum number of Shares is 50,000 and the maximum number of Shares is 375,000.
  - (ii) To work out the exact amount payable, multiply the number of Shares subscribed for by the price per Share of \$0.04 and insert the total amount payable (in Australian dollars).
  - (iii) Complete the cheque details section and ensure that the "Amount" section corresponds to the exact amount payable for the Shares you wish to subscribe for. Remember, **the minimum is \$2,000 worth of Shares and the maximum is \$15,000 worth of Shares.**
  - (iv) Insert your telephone contact numbers so that we may contact you if necessary.
  - (v) You do not need to sign the Application Form.

If you are making a BPAY payment, you do not need to return the Application Form. Please ensure that the amount paid by BPAY is the exact amount payable for the Shares you wish to subscribe for.

### If your payment is to be by cheque, bank draft or money order

3. Ensure your cheque, bank draft or money order is made out for the exact amount of the Share parcel you want to subscribe for, payable to "**Royal Resources Limited**" and cheques crossed "**Not Negotiable**".

Return the completed Application Form, together with the cheque, bank draft or money order to Computershare Investor Services Pty Limited in the enclosed reply paid envelope or to:

Computershare Investor Services Pty Limited  
GPO Box 505 Melbourne  
Victoria 3001 Australia

### If your payment is to be made using BPAY®

4. Make a payment using BPAY® in accordance with the instructions on the Application Form. If paying via BPAY®, Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Eligible Shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Application Form

(which includes the Biller Code and your unique Customer Reference Number) and you will not need to return the Application Form.

**If paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number on your Application Form. If you receive more than one personalised Application Form, you will need to complete individual BPAY® transactions using the Customer Reference Number specific to each individual personalised Application Form that you receive.** The maximum investment any shareholder may apply for will remain \$15,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account).

5. Ensure that your completed Application Form and payment reach Computershare Investor Services Pty Ltd by the closing date of the Offer being no later than **5.00pm (WST) on 10 October 2014. No late applications will be accepted, although the Directors reserve the right to extend the closing date.**

In determining whether you wish to participate in this Offer you should seek personal financial and/or taxation advice referable to your own circumstances.

**By accepting this Offer you agree to be bound by the Terms and Conditions of the Offer and the Constitution of the Company.**