



ROYAL  
RESOURCES LIMITED

2014 ANNUAL REPORT

## CORPORATE INFORMATION

### DIRECTORS

PHILIP G CRABB  
Non-Executive Chairman

MARCUS F FLIS  
Managing Director

FRANK DEMARTE  
Executive Director

MALCOLM J RANDALL  
Non-Executive Director

### COMPANY SECRETARY

FRANK DEMARTE

### STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd  
Code:ROY

### WEBSITE

[www.royalresources.com.au](http://www.royalresources.com.au)

### PRINCIPAL REGISTERED OFFICE

Unit 4, Level 1  
28 Kintail Road  
Applecross Western Australia 6153

PO Box 1014 Canning Bridge  
Applecross  
Western Australia 6153

Telephone: (+61 8) 9316 1356  
Facsimile: (+61 8) 9315 3626

Email: [info@royalresources.com.au](mailto:info@royalresources.com.au)

ABN: 34 108 102 432

### SHARE REGISTER

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth Western Australia 6000

Telephone: (+61 8) 9323 2000  
Facsimile: (+61 8) 9323 2033

### AUDITORS

Stantons International  
Level 2, 1 Walker Avenue  
West Perth Western Australia 6005

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DEAR SHAREHOLDERS,

Throughout the past year, the Company commenced optimisation studies on a number of key areas identified in the Pre-feasibility Study (PFS). These studies have collectively improved the economics of the Razorback Premium Iron Project (RPIP) details of which are included in the Review of Operations section in this Annual Report.

As shareholders are aware, the completed PFS increased the resource base of the RPIP to 2.7 Billion tonnes at 15.3% eDTR, containing 418 Million tonnes of 67% iron magnetite concentrate equivalent, a significant resource indeed. The Red Dragon Venture now holds a resource inventory of 3.9 Billion tonnes at 19.7% iron, one of the largest magnetite resources in Australia.

Despite the significant fall in the iron ore price to five year lows, the Board is of the view that high grade iron concentrate will remain in high demand due to its value in use and lower polluting properties. At 67.4% iron grade, the proposed RPIP product truly meets those criteria.

The US Geological Survey has reported that world iron ore production from 2010 to 2013 shows that magnetite use in steel production has increased over the period 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 world steel making market.

Your Company continues to investigate possibilities with interested overseas parties in respect to the next stage of development to fund the RPIP definitive feasibility study.

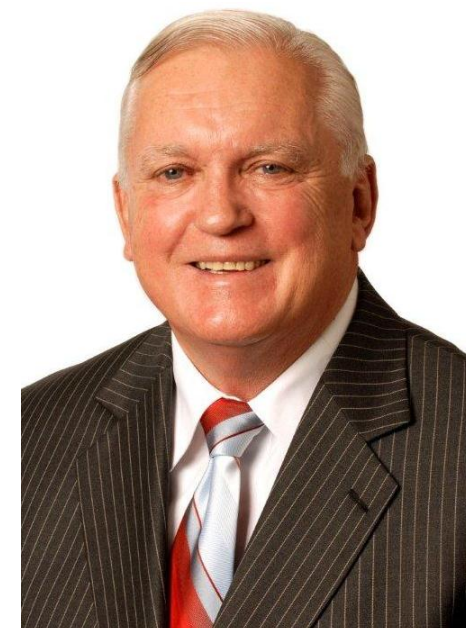
I extend my appreciation to our Managing Director, Marcus Flis and his team and their dedicated efforts during another difficult year for the resources sector. I would also like to thank my fellow Directors for their advice and management this year.

On behalf of the Royal Board, I would also like to thank our shareholders for their ongoing support as we strive to continue the development of the RPIP.

Yours sincerely,



Phil Crabb  
CHAIRMAN





# REVIEW OF OPERATIONS

## SUMMARY OF HIGHLIGHTS

### CORPORATE

- ✦ Royal is seeking a major, end-user partner for its flagship project, the Razorback Premium Iron Project. Discussion with potential partners are on-going
- ✦ The Company has successfully renegotiated agreements with Mintech and Goldus to bring forward milestone payments at a significantly discounted rate
- ✦ Company burn rate reduced through staff and salary reductions
- ✦ Issue of quarterly newsletters to keep shareholders and stakeholders updated
- ✦ Share Purchase Plan to raise funds to progress the Razorback Premium Iron Project and for working capital

### RED DRAGON IRON ORE

- ✦ Razorback Premium Iron Project (RPIP) total JORC<sub>2004</sub> Resource is 2.7 Billion tonnes at 18.2 % Fe, 15.3 % eDTR, representing over 418 Million tonnes of 67.4% Fe magnetite concentrate product
- ✦ Prefeasibility study of RPIP successfully delivered, with the Base Case confirming the project is economically attractive and technically achievable
- ✦ Optimisation work on the Prefeasibility Base Case has significantly improved the economics of the project
- ✦ Preparation of the Razorback Mining Lease Proposal underway
- ✦ Exploration at Red Dragon has identified areas for further Resource development

### EXPLORATION

- ✦ Exploration at the George Tenement, Northern Territory, has identified highly prospective gold targets
- ✦ Early stage exploration underway at the Cooper Hill Ni-Cu and Au Project, South Australia
- ✦ Non-essential Tenements have been surrendered through a rationalisation of prospectivity and Company expenditure

## OPERATIONAL ACTIVITIES

ROYAL RESOURCES LIMITED IS A MINERAL EXPLORATION COMPANY, WITH THE HUGE SOUTH AUSTRALIAN RAZORBACK PREMIUM IRON PROJECT (RPIP) WITHIN THE RED DRAGON VENTURE ITS FLAGSHIP PROJECT.

During the past year, work on this project has focused on the optimisation of the Prefeasibility Study which has resulted in a vastly improved value of the project. The company has also identified other significant magnetite targets for potential future resource development. This work is focussed on recognising higher grade, lower tonnage resources that may support a small start-up option.

Outside of the Red Dragon Venture, Royal has undertaken exploration in regional South Australia and in the Northern Territory. This has included grassroots exploration at the George Project, which has yielded exciting gold results.

## RED DRAGON VENTURE IRON ORE

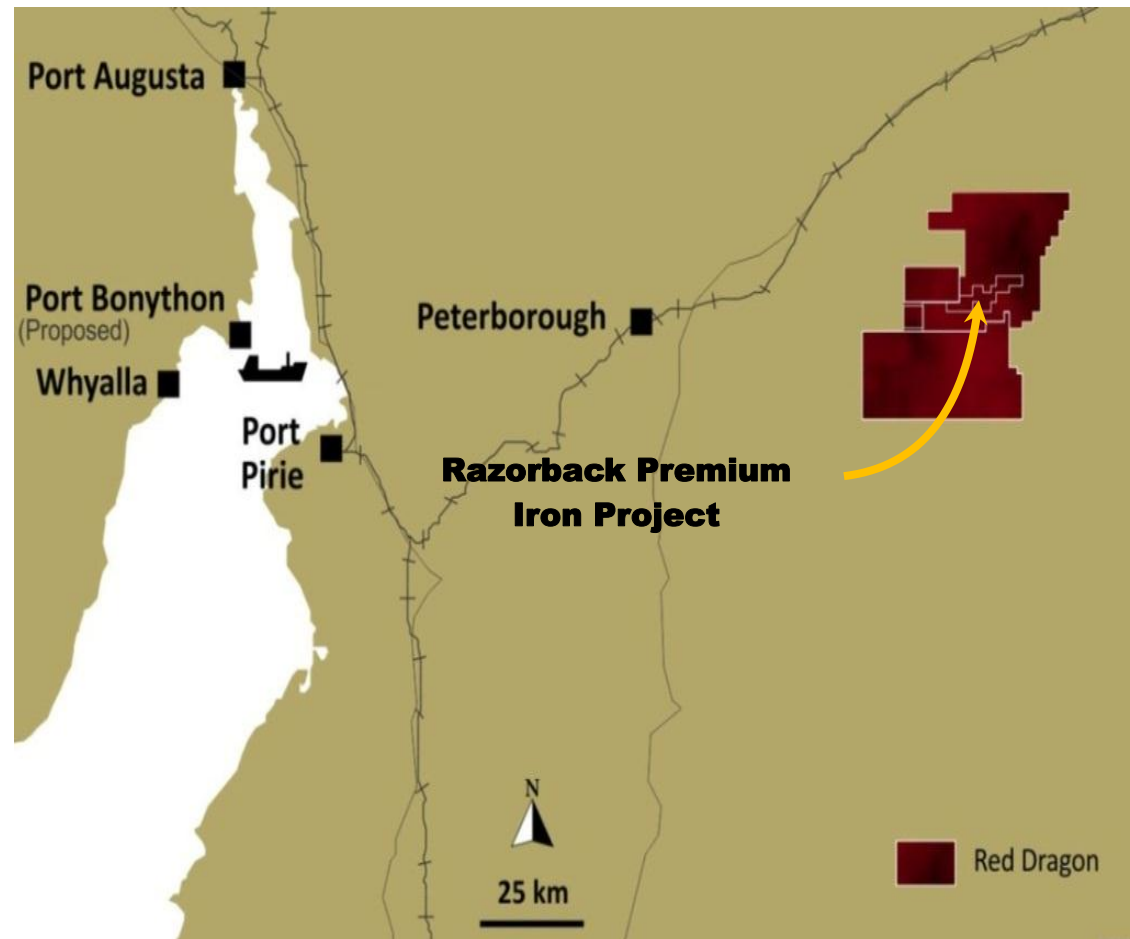
The Red Dragon Venture is located 250km NNE of Adelaide, South Australia, and covers large tracts of the highly prospective Braemar Iron Formation (Figure 1). It consists of four exploration licences: EL4267 and EL4811 are owned by Royal and cover the Razorback Ridge deposit and its extensions while EL5340 and EL5180 are exclusively optioned to Royal for iron ore exploration and development. Royal is focussed on the development of the multi-billion tonne Razorback Premium Iron Project (RPIP) which comprises the Razorback Ridge, Razorback West, Interzone and Iron Peak orebodies (Figure 2).

The Braemar Iron Formation is the host rock to magnetite mineralisation on the project. This formation has a strike length of approximately 110km within the area controlled by Royal and has the potential to host an exploration target of 4.8 to 8.0 Billion tonnes at 18% to 45% Fe<sup>1,2</sup>. Surrounded by an infrastructure rich area that has access to nearby existing open user rail, port, power, gas, heavy engineering and dormitory towns, the project is likely to deliver a lower capital intensity project compared to similar projects in both Western Australia and abroad.

Note:

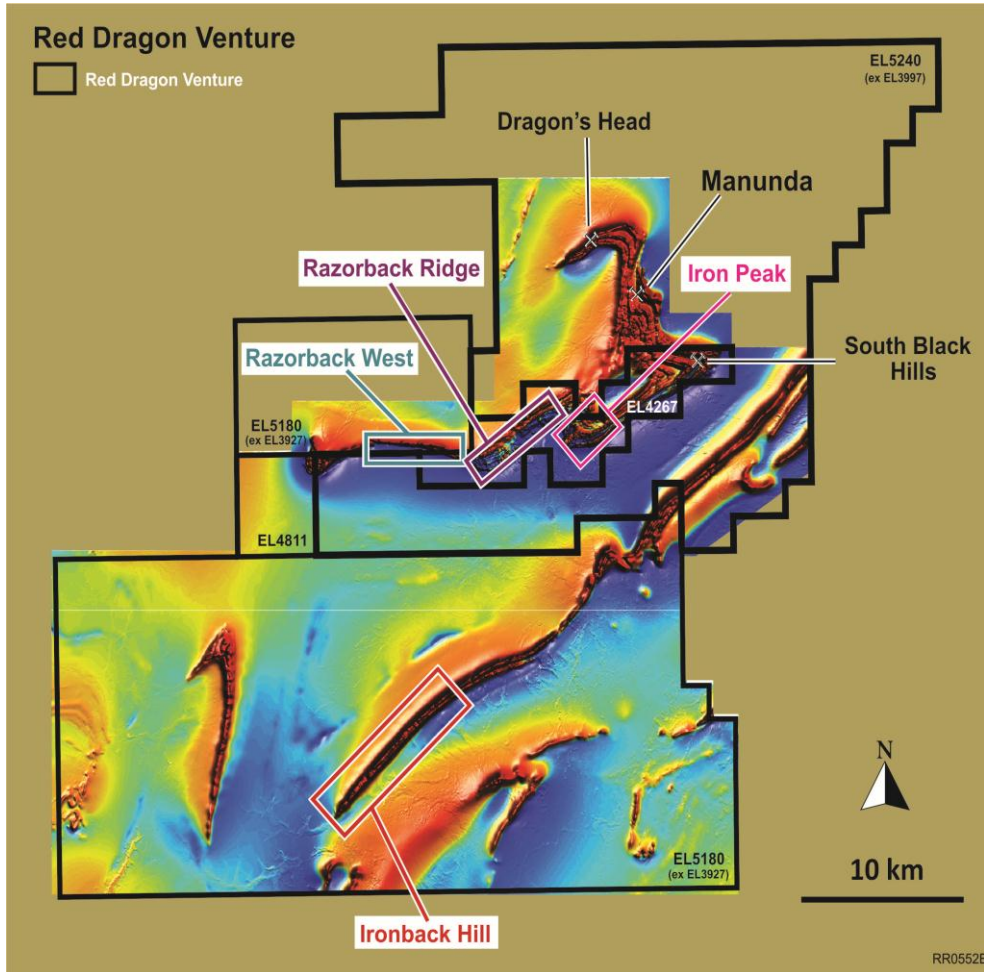
- 1 The potential quantity and grade of the exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The estimate of an exploration target tonnage should not be construed as an estimate of Mineral Resource.
- 2 Announced 24th March, 2011.

Figure 1 – Project Locations - Red Dragon Venture Location



# REVIEW OF OPERATIONS

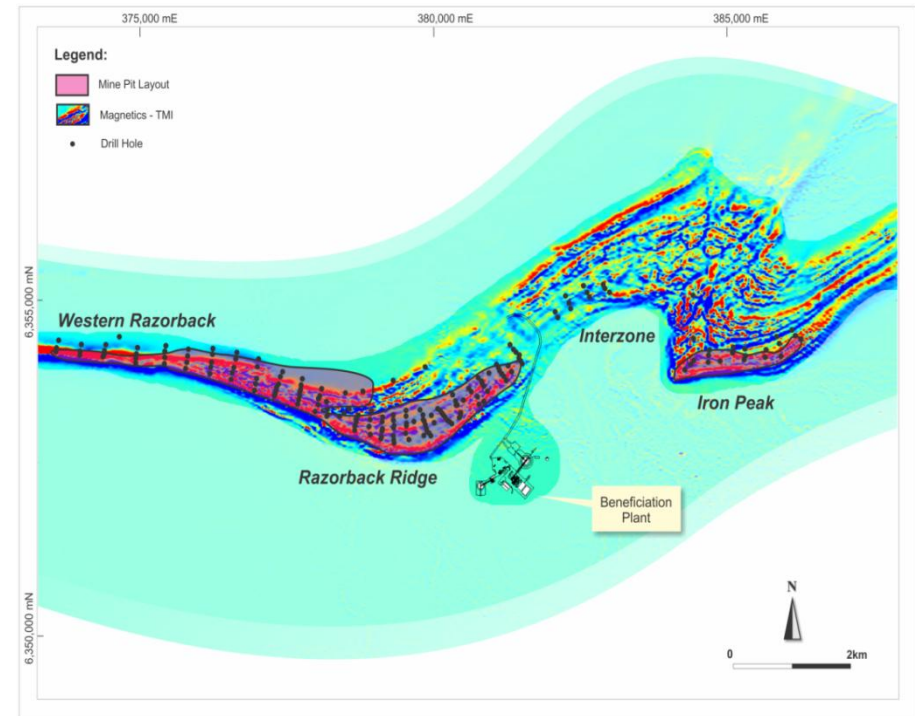
Figure 2 - Aeromagnetic Image of the Red Dragon Venture, detailing the locations of the Razorback West, Razorback Ridge and Iron Peak (Razorback Premium Iron Project) and Ironback Hill Prospects



## THE RAZORBACK PREMIUM IRON PROJECT

Activities at the RPIP over the past 12 months have focussed on: 1) changing the Base Case PFS to increase the proposed production rate to 9.3Mtpa, 2) optimising the PFS to further improve the project's economics through the application of In-Pit Crushing and Conveying, using seawater in processing, and simplifying tailings treatment and disposal, and 3) progressing studies and investigations to support the Mining Lease Proposal. These activities will culminate in the commissioning of the Feasibility Study which will be the final stage to full project development.

Figure 3: Area of Total Resource in the Razorback Premium Iron Project



## RPIP Resource and Exploration

A resource definition programme of approximately 36,000 metres of combined RC and diamond drilling has been undertaken over several drilling phases from April 2010 to June 2012 (Figure 3). As announced to the ASX and media on 11<sup>th</sup> June 2013, the RPIP now has a JORC<sub>2004</sub>-compliant total Resource of **2.7 Billion tonnes at 15.3% eDTR\*, 18.2% Fe Head grade** (Table 1). The resource has not been updated to the JORC<sub>2012</sub> standard, although there has been no material change in its estimate to necessitate this. The resource equates to **418 Million tonnes of 67.4% Fe concentrate equivalent** (Table 2). The RPIP will use a relatively coarse grind size of 45 microns, substantially coarser than that of the two recently completed magnetite mines in WA.

Additional work at the Iron Peak Prospect area has identified potential higher grade zones outside the present calculated resource. Its proximity to the proposed beneficiation plant allows additional mining options in the future development of the project (*see ASX announcement on 1<sup>st</sup> July 2014*).

**Table 1 - Total JORC<sub>2004</sub> Mineral Resource from the Razorback Premium Iron Project (11% eDTR cutoff)<sup>1</sup>**

Prospect	JORC Resource Classification	Million Tonnes <sup>2</sup>	eDTR%*	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%
Razorback	Indicated	833	16.0	21.7	45.2	7.3	0.20
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20.0	45.0	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8.0	0.16
<b>Total</b>	<b>Mineral Resources</b>	<b>2,732</b>	<b>15.3</b>	<b>18.2</b>	<b>48.1</b>	<b>8.0</b>	<b>0.18</b>

Note:

1 The Mineral Resources information for the project was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported.

2 Tonnages rounded to significant values; total may not appear correct as a result.

\* eDTR or equivalent Davis Tube Recovery explained in ASX announcements on the 11<sup>th</sup> June 2013 and 10<sup>th</sup> July 2013.

**Table 2 - Razorback Premium Iron Project indicative product specification (45 micron grind size)**

	Recovery	Million Tonnes	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
Magnetite Product <sup>1</sup>	15.3%	418	67.4	4.74	0.54	0.016	0.003

Note 1: Rounded to significant figures

**Figure 4 – Schematic drawing of the proposed mine layout at the Razorback Premium Iron Project**










# REVIEW OF OPERATIONS

## Prefeasibility Optimisation

Royal announced the successful completion of the PFS on the Razorback Project on 30<sup>th</sup> January 2013. The PFS includes detailed investigations, testing, design and cost estimates, with outcomes of the PFS captured in an extensive and detailed report. Major emphasis has been put on sound environmental management, and stakeholder and community management.

Optimisation studies commenced on a number of key areas identified in the PFS (see *ASX announcement on 27<sup>th</sup> November 2013*). These studies collectively have improved the economics of the RPIP by addressing the following areas:

-  Reduction in product transport costs, involving the outsourcing of key infrastructure
-  Increased production rate to 9.3Mtpa and improvement in recoveries
-  Reduction in mining costs through the significant reduction in the Strip Ratio and the use of In-Pit Crushers and Conveyors (IPCC) and Continuous Surface Miners (CSM)
-  Reduction in process plant costs through reduction in water costs and use of larger, more economic equipment
-  Change to using seawater in processing to drastically reduce water costs and simplify tailings disposal processes

The IPCC and CSM work are still at Scoping Study Level and further work must be done to elevate them to PFS level estimates. There is a lower level of technical confidence at the Scoping level than at a PFS level and therefore there is no certainty that further work will result in the production target being realised with these proposed methodologies.

Royal's Optimisation Study on the RPIP has triggered significant changes in the scope and assumptions of the Base Case PFS. These changes have resulted in a step increase in the estimates of Net Present Value of the project to over **\$2,780 Million**, an Internal Rate of Return of 39%, and with an **EBITDA of \$472 Million**. In referring to this NPV and EBITDA estimates Royal confirms that all material assumptions relating to the production target or the forecast financial information derived from that production target in the original announcement issued on 28<sup>th</sup> May 2014 continue to apply and have not materially changed. As required under JORC Code 2012, it is noted that at a Scoping Level there is a lower level of technical and geological confidence associated with inferred mineral resources than at a PFS level, and therefore there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

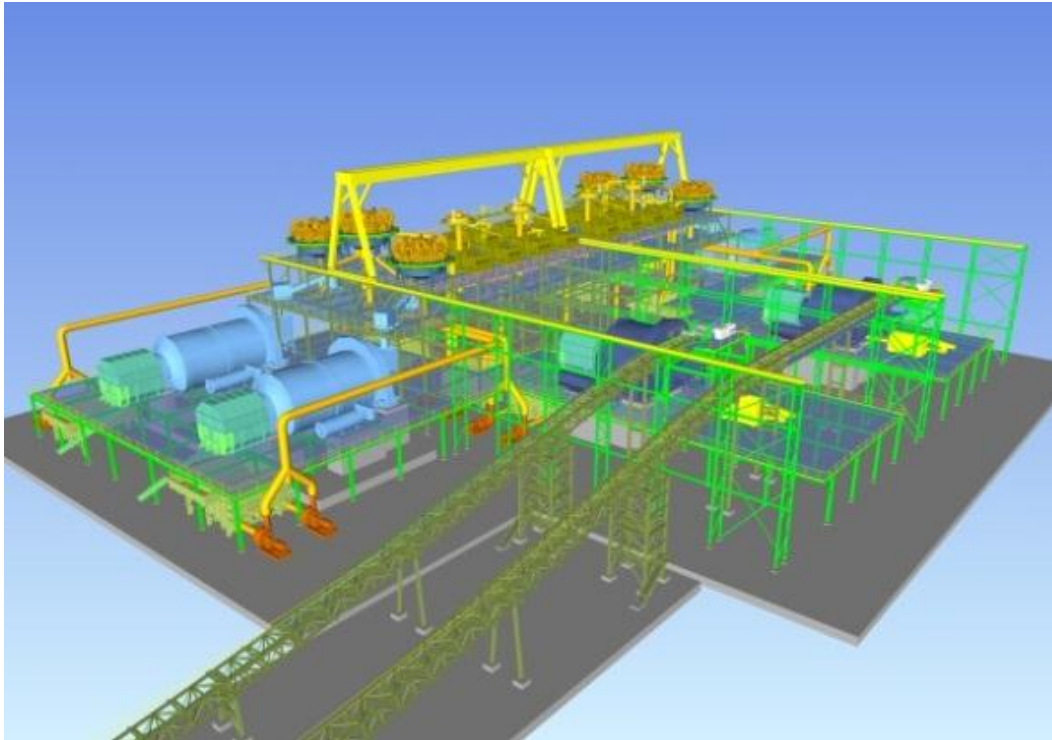
An external review by Oyster Consulting of the Pre-Feasibility Study optimisation confirmed a robust approach is being taken to maximising the value of the RPIP (*see ASX announcement on 28<sup>th</sup> May 2014*). It also confirms that the case for advancing Razorback towards a Feasibility Study is conservative, logical and compelling.

## Mining Lease Proposal

Work is underway on documentation required for a Mining Lease Proposal submission to the South Australian government for the RPIP. Royal is utilising in house expertise for the collection of field data, data compilation, interpretation and documentation for those areas not requiring external consultants, which includes the majority of baseline studies. External consultancy will be used where required.



Figure 5 - Schematic drawing of the proposed Razorback Premium Iron Project beneficiation plant



## Community

Royal Resources limited is building stronger relationships within the region, with not only community and community groups, but various government agencies and other parties such as pastoralists and NGO's. As our potential mining project advances, these established relationships, and Royal's profile in the community, can only be beneficial and drive continued regional support.

Royal's Indigenous community partnerships are largely based around the Native Title Mining Agreement – Exploration. This has included supporting cultural reinforcement, including funding for the Traditional Owner to record on film areas of cultural significance on site, providing funds for Indigenous scholarships, and supporting the Traditional Owners visits of engraving sites.

Royal is also keeping its shareholders and the community informed of its activities, with the introduction of the 'Razorback', a quarterly newsletter.

# REVIEW OF OPERATIONS

## IRONBACK HILL PROSPECT

The Ironback Hill Prospect occurs on EL5180 and is approximately 12 km south-southwest of Razorback Ridge (Figure 2). An Inferred Resource of **1,187 Mt @ 23.2% Fe** (JORC<sub>2004</sub> Compliant) was announced on 21<sup>st</sup> November 2012, and represents approximately 10 kilometres strike length of the Braemar Iron Formation. The completed drilling program included 12,466 metres RC and 2,849 metres of diamond drilling between October 2011 and April 2012 (Figure 6). Resource modelling confirmed the excellent continuity of the resource. The Resource remains open to the east and with depth. Rehabilitation of drill pads and tracks are mostly completed. The Ironback Hill Prospect would most likely be developed independently to the RPIP.

Table 3: Total JORC 2004 compliant Inferred Mineral Resource from Ironback Hill<sup>1</sup>

Project	JORC Resource Classification	Million Tonnes <sup>2</sup>	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%
Ironback Hill	Inferred	1,187	21.0	44.1	7.2	0.21

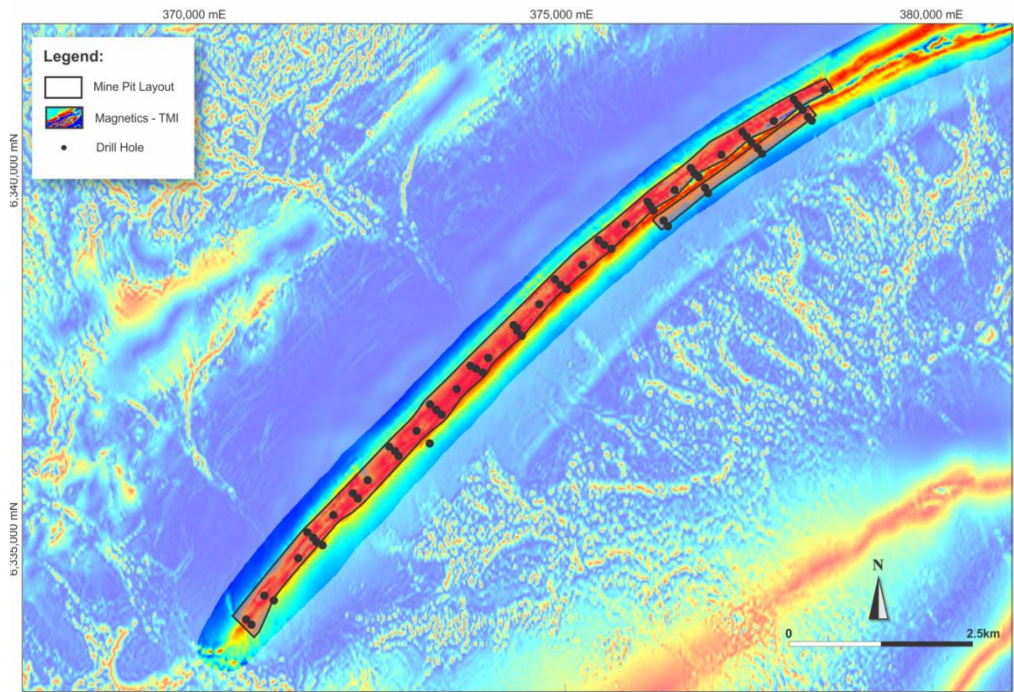
Note:

- 1 The Mineral Resource information for the project was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported.
- 2 Tonnages rounded to significant values; total may not appear correct as a result.

## RED DRAGON VENTURE EXPLORATION

Magnetite exploration within the Red Dragon Venture was carried out along the Braemar Iron Formation, in areas outside the RPIP and the Ironback Hill Prospect. This included geological mapping, appraisal of earlier drilling and ground magnetics at the Dragon's Head Prospect. These activities identified significant as yet untested iron mineralisation potential (*see ASX announcement on 1<sup>st</sup> July 2014*).

Figure 6 – Ironback Hill Resource






## NORTHERN TERRITORY TENEMENTS

Royal retains a portfolio of gold, base metal and uranium properties in highly mineralised terrains of the Pine Creek Region in the Northern Territory. These properties are now held 100% by Royal since the total acquisition of exploration licences George EL24550, Amangal EL27354 and Waterhouse West EL24563 from Toronto Stock Exchange listed Aldershot Resources Ltd (TSX:ALZ).

Whilst focusing on work onto Royal's flagship iron ore project in the Red Dragon Venture, Royal has begun assessing this ground for gold and iron ore opportunities.

## PINE CREEK REGION

Currently Royal has three tenements in the “top end”, Pine Creek Region of the Northern Territory (Figure 7). All are 100% owned by Royal.

-  George EL24550 – Pine Creek Orogen
-  Amangal EL27354 – Pine Creek Orogen
-  Waterhouse West EL24563 – Pine Creek Orogen

### George and Amangal Gold Project

The George/Amangal Project is located 95km south of Darwin and immediately southwest of Adelaide River in the Northern Territory. It covers a combined 88km<sup>2</sup> and lies within the gold-rich Central Pine Creek Orogen; host to the well-endowed Pine Creek Goldfield, Union Reefs Goldfield and the Cosmo-Howley Belt, currently being developed by Crocodile Gold Corporation (TSX: CRK). Typically, gold mineralisation evident at George and elsewhere in the region occurs in quartz-sulphide veins (Figure 8) hosted in saddle-reef and fault zones located proximal to anticlinal fold closures.

Modern gold exploration at George was first undertaken in the late 1980's to early-mid 1990's, targeting anticlinal hinges. This led to the discovery of a number of gold occurrences in outcropping quartz veins, returning rock chips up to 170 g/t Au and in soil anomalies where fold hinge areas are under transported cover. Drilling was limited and ineffective in delineating the targets at the three main prospects - Possum, Happy Valley and Arum; with low level gold mineralisation intersected. When gold price significantly receded in the mid to late 90's, these explorers exited the area. Since that time the area has been the focus of uranium exploration with scant attention being paid to its gold potential, so leaving a number of recommendations from that time not acted upon.

Since Royal has begun assessing gold targets field assessment has led to the discovery of additional gold prospects, namely the Croc Paté Prospect, returning up to 11 g/t Au with along strike continuations, (Figure 9). These targets remain largely untested and a work programme has been put in place for the current field season (*see ASX announcements on 25<sup>th</sup> November 2013 & 30<sup>th</sup> July 2014*).

Figure 7 – Northern Territory Project Locations, Pine Creek

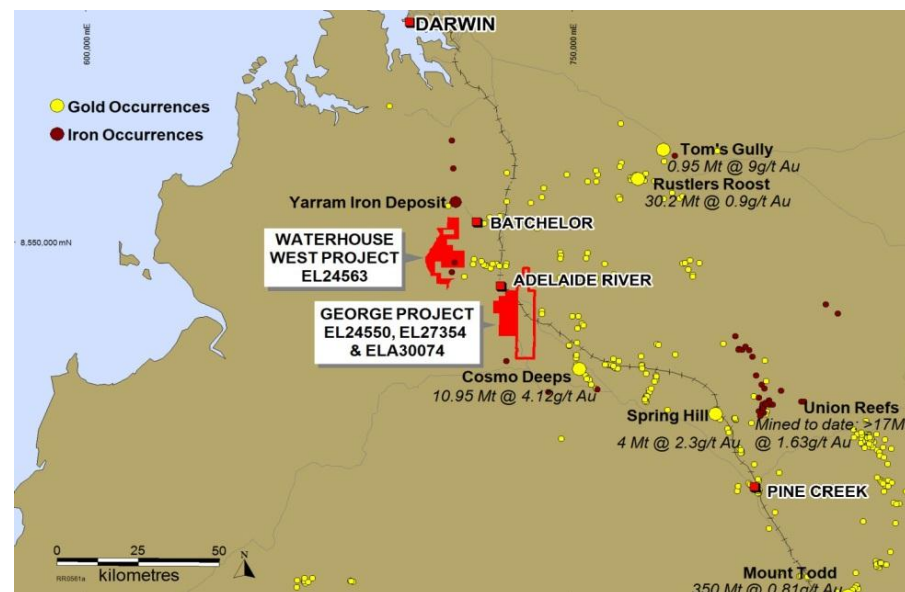


Figure 8 - Gold mineralised Quartz vein, George Project



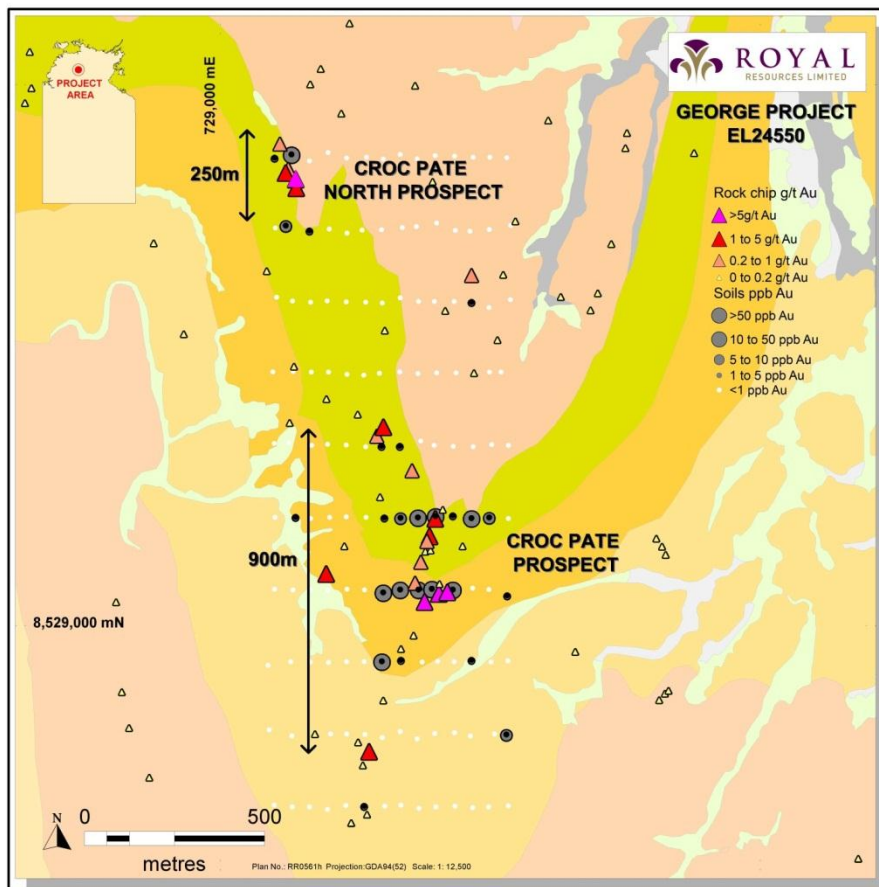


# REVIEW OF OPERATIONS

## Waterhouse West Iron Project

Waterhouse West is in the Rum Jungle Field, Northern Territory and is situated 5km south of the Yarram Fe deposit. The tenement covers 128 km<sup>2</sup> and is currently under review for its iron potential. It hosts prospective iron horizons of magnetite / haematite-quartz rocks of the Archaean Stanley Metamorphics, Banded Iron Formation magnetite mineralisation in the Paleoproterozoic Crater Formation and haematite mineralisation associated with haematite-quartz breccia / haematite-rich siltstones of the Geolsec Formation (as evident at the Yarram Fe Deposit). Preliminary rock chip and petrology studies are underway.

Figure 9- Gold Targets, George Project



## WESTERN AUSTRALIA TENEMENTS

Royal's holdings in Western Australia include one area, the Watertank Project in the Eastern Goldfields which is a gold project (Figure 10).

🌿 Watertank P63/1361, P63/1362, P63/1363

## EASTERN GOLDFIELDS

### Water Tank Gold Project

Royal holds 3 Prospecting Licences (100%) covering 3.5km<sup>2</sup> in an area less than 10km from the Norseman gold mine. Previous drilling returned results of **1m @ 12.4 g/t Au** at the Empire Rose Prospect and an extensive zone of 1 to 3m of 2.05 to 2.46 g/t Au. This project is attractive for those active in the area and with Royal focussing on the RPIP a buyer is being sought.

Figure 10 – Western Australia Project Locations



## SOUTH AUSTRALIA WESTERN GAWLER TENEMENTS

Royal has begun a process of identifying Greenfields opportunities within South Australia, where its geological team is based, and has included the granting of two exploration licences; Cooper Hill EL5340 and Victory Dam EL5441 (Figure 11).

- Cooper Hill EL5340
- Victory Dam EL5441

### WESTERN GAWLER

#### COOPER HILL Ni-Cu PROJECT

Cooper Hill comprises one exploration licence covering 538km<sup>2</sup> and is located approximately 68km west of Ceduna and contains the small highway town of Penong. Located on the south western edge of the Gawler Craton, Cooper Hill contains Proterozoic Mafic-Ultramafic intrusive rocks identified by previous explorers, but requires definitive testing. The area shows potential opportunity for Voisey Bay or Nova-Style Ni-Cu mineralisation. Previous work has identified: nickel-chrome geochemical anomalies in soil and aircore drilling; peridotite with disseminated sulphide (0.2% Ni) in drill core; EM anomalies that have not been adequately tested; and completely untested portions of the intrusive. In addition, several historic gold targets have been identified through geochemistry, but are yet to be tested.

Royal has commenced initial surface geochemistry to infill existing sampling.

### EASTERN STUART SHELF

#### VICTORY DAM IOCG PROJECT

Victory Dam comprises one exploration licence covering 1,000km<sup>2</sup> and is located approximately 180km east-northeast of Coober Pedy to the east of the undifferentiated margin of the Stuart Shelf. The principal exploration model is Iron-Oxide-Copper-Gold (IOCG) hosted by Meso-Palaeoproterozoic basement which has been the model of previous exploration in the area. The target is the significant Douglas Creek 22mgal gravity anomaly which extends for approximately 15km by 2.5km and is situated between the western Northwest Fault and the eastern Muloorina Gravity Ridge. Assessment of these deep seated targets is underway.

Figure 11 – South Australian Project Locations



# REVIEW OF OPERATIONS

## STATEMENT OF RESOURCES

### RAZORBACK PREMIUM IRON PROJECT RESOURCE ESTIMATE<sup>1</sup> (100% ROYAL) – JUNE 2013

Prospect	JORC Resource Classification	Million <sup>2</sup> Tonnes	eDTR%*	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%
Razorback	Indicated	833	16.0	21.7	45.2	7.3	0.20
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20.0	45.0	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8.0	0.16
<b>Total</b>	<b>Mineral Resources</b>	<b>2,732</b>	<b>15.3</b>	<b>18.2</b>	<b>48.1</b>	<b>8.0</b>	<b>0.18</b>

Note:

- The Mineral Resource information for the project was prepared and first disclosed under the JORC Code 2004. While the resource has been reviewed during 2014, the information has not been updated since to comply with the JORC Code 2012 and on that basis the information has not materially changed since it was last reported.
  - Rounded to significant figures
- \* eDTR is the equivalent Davis Tube Recovery derived from calibrated magnetic susceptibility data and explained in ASX announcements on the 11<sup>th</sup> June 2013 and 10<sup>th</sup> July 2013.

### IRONBACK HILL PROJECT RESOURCE ESTIMATE<sup>1</sup> (100% ROYAL) – NOVEMBER 2012

Project	JORC Resource Classification	Million Tonnes <sup>2</sup>	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%
Ironback Hill	Inferred	1,187	21.0	44.1	7.2	0.21

Note:

- The Mineral Resource information for the project was prepared and first disclosed under the JORC Code 2004. While the resource has been reviewed during 2014, the information has not been updated since to comply with the JORC Code 2012 and on that basis the information has not materially changed since it was last reported.
- Tonnages rounded to significant values; total may not appear correct as a result.

## COMPETENT PERSON STATEMENT

The details contained in this report that pertains to ore and mineralisation and the resource underpinning the production target is based upon information compiled by Mr Marcus Flis, BSc (Hons), MSc, a full-time employee of the Royal Resources Limited, Gavin England BSc (Hons), PhD, a full-time employee of the Royal Resources Limited and external consultant Mr Lynn Widenbar BSc(Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd . Mr Flis is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Widenbar is a Member of the AusIMM. Dr England is a member of Australian Institute of Geosciences (AIG). These three people have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2012). Mr Flis, Dr England, and Mr Widenbar consent to the inclusion in this report of the matters based upon their information in the form and context in which it appears.

The Resource Statement above is based on, and fairly represents, information and supporting documentation prepared by competent persons.

The information for the Razorback Premium Iron Project was prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## CORPORATE GOVERNANCE – RESERVES AND RESOURCES CALCULATIONS

Due to the nature, stage and size of the Company's existing operations, the Company believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring the Company's processes for calculating mineral reserves and resources and for ensuring that the appropriate internal controls are applied to such calculations.

However, the Company ensures that any mineral reserve and resource calculations are prepared by competent geologists and are reviewed independently and verified (including estimation methodology, sampling, analytical and test data).

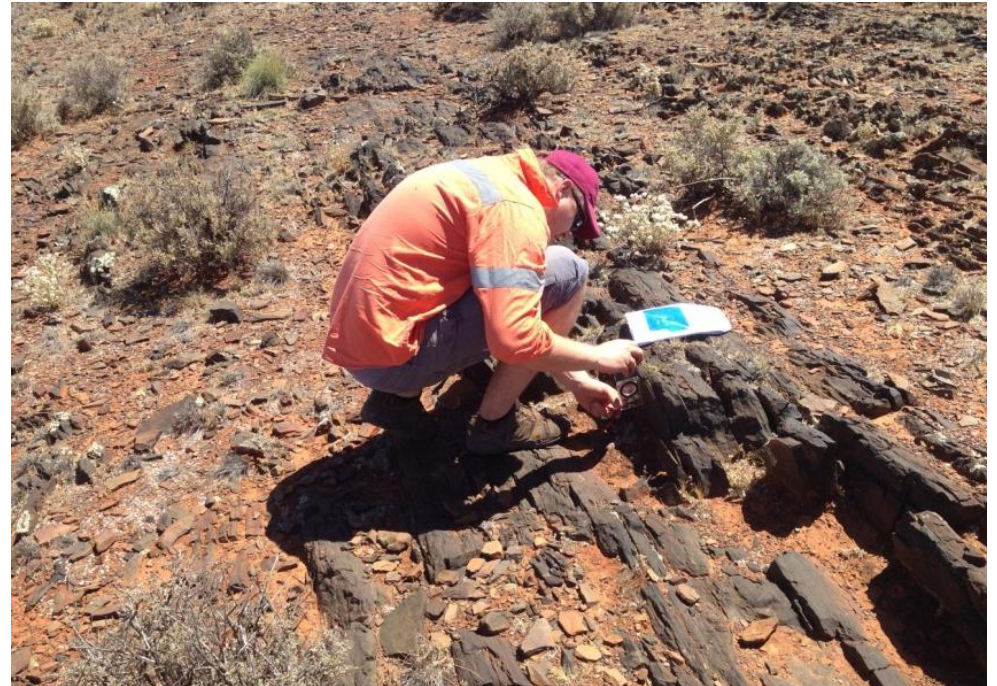
The Company will report any future mineral reserves and resources in accordance with the JORC Code 2012.



Figure 12 - Collection of data from one of the weather stations located at Razorback



Figure 13 - Outcropping mapping of Braemar Iron Formation at the Dragon's Head Prospect, Red Dragon Venture



# CORPORATE GOVERNANCE STATEMENT

## APPROACH TO CORPORATE GOVERNANCE

Royal Resources Limited (Company) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (Principles & Recommendations). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at [www.royalresources.com.au](http://www.royalresources.com.au), under the section marked "Corporate Profile", "Corporate Governance":

### Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee

### Policies and Procedures

- Policy and Procedure for Selection and (Re) Appointment of Directors
- Process for Performance Evaluations
- Policy on Assessing the Independence of Directors
- Policy for Trading in Company Securities (summary)
- Code of Conduct (summary)
- Policy on ASX Listing Rule Compliance (summary)
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Policy
- Risk Management Policy (summary)

The Company reports below on how it has followed each of the recommendations during the 2013/2014 financial year (Reporting Period). The information in this statement is current at 19 September 2014.

## BOARD

### ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR EXECUTIVES

(Recommendations: 1.1, 1.3)

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.royalresources.com.au](http://www.royalresources.com.au), under the section marked corporate governance. A list of the charters, policies and procedures which are referred to in this corporate governance statement, together with the recommendations to which they relate, are set out below.

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

## ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR EXECUTIVES *CONTINUED*

As announced to ASX on 29 April 2014, the Company's Managing Director, Mr Marcus Flis, was granted a temporary leave of absence for a period of 3 months for medical reasons from the Board and his duties. Mr Flis has remained on the Board, and involved in major strategic decisions for the Company. During Mr Flis' absence, the remaining Board members and the executives have overseen the Managing Director's responsibilities and the Company's day-to-day operations, with technical aspects of Razorback managed by the Project Manager and Chief Geologist, Dr Gavin England.

## SKILLS, EXPERIENCE, EXPERTISE AND PERIOD OF OFFICE OF EACH DIRECTOR

(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on page 20.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the composition of its current Board. The Board comprises directors who possess the following skills and qualifications: extensive corporate, management and marketing experience in the resources sector, financial and geological. The Board considers that this mix of skills is appropriate for the Company's current circumstances.

## DIRECTOR INDEPENDENCE

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. The Board comprises of:

Name	Executive/non-executive	Independent status
Philip Crabb (Chair)	Non-executive	Not independent
Marcus Flis	Executive	Not independent
Malcolm Randall	Non-executive	Independent
Frank DeMarte	Executive	Not independent

The Board considers that its composition is appropriate for the Company's circumstances and includes an appropriate mix of skills and expertise relevant to the Company. The Board gives consideration to the balance of independence on the Board and will review its composition in response to any changes in the Company's circumstances.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- ✿ Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- ✿ Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- ✿ Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- ✿ Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

During the Reporting Period, the sole independent director of the Company was Malcolm Randall. Mr Randall is considered an independent because he is a non-executive director who is not member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.



# CORPORATE GOVERNANCE STATEMENT

## DIRECTOR INDEPENDENCE *CONTINUED*

The non-independent directors of the Company are Philip Crabb (a substantial shareholder of the Company), Marcus Flis (Managing Director) and Frank DeMarte (Chief Financial Officer and Company Secretary).

The Board does not have an independent Chair. Philip Crabb is Chair of the Board. The Board believes that Philip Crabb is the most appropriate person for the position of Chair because of his industry experience and knowledge. Philip Crabb and his associate's substantial shareholding is the only factor that precludes him from being considered independent. The Board believes that Philip Crabb makes decisions that are in the best interests of the Company.

## INDEPENDENT PROFESSIONAL ADVICE

(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

## SELECTION AND (RE) APPOINTMENT OF DIRECTORS

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the range of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer).

However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign.

A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

## BOARD COMMITTEES

### NOMINATION COMMITTEE

(Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. The role of the Nomination Committee is carried out by the full Board. The Board believes that given the current composition of the Board, at this stage there would be no efficiencies gained by establishing a separate Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Board convened as a Nomination Committee once during the Reporting Period. Details of director attendance at the meeting of the full Board, in its capacity as the Nomination Committee, during the Reporting Period are set out in the Directors' Report on page 30.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

## AUDIT COMMITTEE

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit Committee. However, the Audit Committee is not structured in accordance with Recommendation 4.2 as it comprises of only two members, it includes an executive director (Mr DeMarte, the Company's Chief Financial Officer and Company Secretary) and does not comprise a majority of independent directors. Given the composition of the Board, it is unable to establish an Audit Committee that meets the structural requirements of Recommendation 4.2. However the Board considers that a committee comprised of the Company's sole independent director and the Chief Financial Officer is most appropriate for the Company's needs given their experience and qualifications.

The Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

The Audit Committee held two meetings during the Reporting Period. Details of director attendance at Audit Committee meetings are set out in a table in the Directors' Report on page 30.

Details of each of the director's qualifications are set out in the Directors' Report on page 20. The members of the Audit Committee consider themselves to be financially literate and have an understanding of the industry in which the Company operates. Mr DeMarte holds a Bachelor of Business majoring in accounting and has been the Chief Financial Officer of a number of listed companies.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board. Malcolm Randall, who is not chair of the Board, chairs the Remuneration Committee.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

## REMUNERATION COMMITTEE

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has established a Remuneration Committee comprising Malcolm Randall, Philip Crabb and Frank DeMarte. The Remuneration Committee is not structured in accordance with Recommendation 8.2 as it does not comprise a majority of independent directors. Mr Randall is the only independent non-executive director.

During the Reporting Period, the Remuneration Committee did not hold any meetings.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report and commences on page 23. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Company may grant options to non-executive directors. Under the Company's current circumstances, the granting of options is considered to be a cost effective and efficient reward for the directors, as opposed to alternative forms of remuneration, such as the payment of additional cash compensation to the Directors. Executive remuneration is designed to promote superior performance and long term commitment to the Company. Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Overall, the remuneration is subject to the discretion of the Board and can be altered to reflect the competitive market and business conditions, where it is in the best interest of the Company and the shareholders to do so. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

# CORPORATE GOVERNANCE STATEMENT

## PERFORMANCE EVALUATION

### SENIOR EXECUTIVES

(Recommendations: 1.2, 1.3)

The Managing Director is responsible for evaluating the senior executives. The evaluation is conducted at the time of the executive's annual remuneration review, and involves an interview with the Managing Director to discuss key performance indicators. The Managing Director also evaluates the performance of the senior executives on an ongoing basis via informal discussions about performance.

During the Reporting Period, an evaluation of the Company's senior executives took place in accordance with the process disclosed.

### BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluating the Board and, when appropriate, Board committees and individual directors. Each of the directors (including the Chair) completes a questionnaire and the Chair discusses the responses to the questionnaire with the Board on a round-table basis. The Chair is reviewed on this basis by the rest of the Board. Where a Board member also performs an executive role (e.g. in the case of the Managing Director and the Chief Financial Officer and Company Secretary), the review also addresses the directors' executive role.

During the Reporting Period, an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed above.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

## ETHICAL AND RESPONSIBLE DECISION MAKING

### CODE OF CONDUCT

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

### DIVERSITY

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has not adopted a Diversity Policy, nor has it established measurable objectives for achieving gender diversity but is actively managing diversity by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

The Board considers that the Company has in place arrangements to encourage diversity in employment. The Company also has an Equal Employment Opportunity and Anti-Discrimination Policy. Further, due to the Company's current operations, size and small number of employees, the Board considers that it is difficult to set meaningful measurable objectives for achieving gender diversity. However, every effort is made to find the most suitable qualified person for any role within the Company, irrespective of age, sex, religion or any other personal characteristic or attribute, in accordance with the Company's policy. The Board will review its position and may develop measurable objectives when the Company's operations increase.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	3 out of 9 (33%)
Senior Executive positions	0 out of 1 (0%)
Board	0 out of 4 (0%)

## CONTINUOUS DISCLOSURE

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on ASX Listing Rule Compliance and Compliance Procedures are disclosed on the Company's website.

## SHAREHOLDER COMMUNICATION

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

## RISK MANAGEMENT

Recommendations: 7.1, 7.2, 7.3, 7.4)




The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

-  the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
-  the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
-  the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has formalised its systems and procedures to manage its material business risks. The Company's risk management system includes the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed quarterly and updated, as required. The process of managing material business risks has been allocated to members of senior management.

The categories of risk reported on as part of the Company's systems and processes for managing material business risks include: liquidity risk, foreign currency exchange risks, operational risk, environmental risk, compliance risk, strategic risk, human capital, financial reporting and market-related risks.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.



# DIRECTORS' REPORT

Your directors of Royal Resources Limited submit their report together with the financial statements of the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2014.

## INFORMATION ON DIRECTORS

The following persons were directors of the Company during the financial year and until the date of this report. Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

### PHILIP G CRABB

FAusIMM, MAICD  
Non-Executive director

#### Experience and expertise

Mr Crabb is a fellow of the Australasian Institute of Mining and Metallurgy and a member of the Institute of Company Directors. Mr Crabb has been actively engaged in mineral exploration and mining activities for the past 44 years in both publicly listed and private exploration companies. He has considerable experience in field activities, having been a drilling contractor, quarry manager and mining contractor. Mr Crabb also has extensive knowledge of the Australian mining industry and has many years of experience with management of Australian publicly listed companies.

Mr Crabb was first appointed to the board on 28 November 2005

#### Directorships of listed companies in last 3 years

Director of Thundelarra Limited (*from March 2012*) re-appointed

Director of Thundelarra Limited (*from November 1998 to September 2011*)

Director of Canadian publicly listed Aldershot Resources Ltd (*from 2009*)

#### Special responsibilities

Chairman of the board (*from March 2007*)

Member of the nomination committee (*from November 2005*)

Member of the remuneration committee (*from July 2012*).

### MARCUS F FLIS

BSc (Hons), M Sc, FAusIMM  
Managing director

#### Experience and expertise

Mr Flis holds degree in both geology and geophysics and is highly qualified in the resources industry, having over 33 years experience covering all aspects of exploration, resource definition and project assessment. He has recently held the position of project director with Rio Tinto Iron Ore's business development group. Previously Mr Flis held positions as exploration manager with Hamersley Iron and Iron Ore company of Canada and managed geophysics for Newcrest Mining Ltd. Mr Flis comes with extensive experience as an explorationist for a wide range of mineral commodities in varied mineral terrains and geographies.

Mr Flis was first appointed to the board on 11 August 2009.

#### Directorships of listed companies in last 3 years

Director of Canadian publicly listed Aldershot Resources Ltd (*from 2012*)

#### Special responsibilities

Member of the nomination committee (*from August 2009*)

Member of the remuneration committee (*from August 2009 to March 2012*)

### FRANK DeMARTE

BBus, FGIA, FAICD  
Non-Executive director

#### Experience and expertise

Mr DeMarte has over 30 years of experience in the mining and exploration industry in Western Australia. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an Executive Director of the Company.

Mr DeMarte is experienced in areas of company secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a bachelor of business majoring in accounting and is a fellow of the Governance Institute of Australia (formerly known as the Chartered Secretaries of Australia) and a Fellow of the Australian Institute of Company Directors.

Mr DeMarte was first appointed to the board on 23 February 2004.

#### Directorships of listed companies in last 3 years

Director of Thundelarra Limited (*from March 2001*)

#### Special responsibilities

Member of the nomination committee (*from February 2004*)

Member of the remuneration committee (*from February 2004*)

Member of the audit committee (*from April 2012*)

## INFORMATION ON DIRECTORS

### CONTINUED

#### MALCOLM J RANDALL

B.Applied Chem, MAICD  
Non-Executive director

#### Experience and expertise

Mr Randall holds a Bachelor of Applied Chemistry and is a member of the Australian Institute of Company Directors. Mr Randall has had extensive experience in corporate management and marketing in the resources sector including over 26 years with the Rio Tinto group of companies. His iron ore experience has included senior technical and commercial management roles in Hamersley Iron Pty Ltd and a commercial advisor to the Hope Downs Iron Ore project. Mr Randall is also a Non-Executive Director of four other ASX listed resource companies and one AIM listed company as noted below.

Mr Randall was first appointed to the board on 4 October 2006.

#### Directorships of listed companies in last 3 years

Director of Iron Ore Holdings Ltd *(from 2003)*  
Director of Matilda Zircon Limited *(from 2009)*  
Director of Summit Resources Limited *(from 2007)*  
Director of Thundelarra Limited *(from 2003)*  
Director of Spitfire Oil Ltd *(from 2007)*

#### Special responsibilities

Chairman of the audit committee *(from August 2009)*  
Member of the nomination committee *(from October 2006)*  
Chairman of the remuneration committee *(from October 2011)*  
Member of the remuneration committee *(from October 2006)*

## COMPANY SECRETARY

#### FRANK DeMARTE

BBus, FGIA, FAICD

The Company Secretary is Frank DeMarte. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an executive director and chief financial officer of the Company.

Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a bachelor of business majoring in accounting and is a fellow of the Governance Institute of Australia (formally known as Chartered Secretaries of Australia). Mr DeMarte was re-appointed the Company Secretary on 22 August 2013.

## INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors and key management personnel in shares and options of Royal Resources Limited were:

Director and Key Management Personnel	Number of ordinary shares	Number of options over ordinary shares
Philip G Crabb	25,351,164	6,000,000
Marcus F Flis	2,000,032	9,250,000
Frank DeMarte	3,688,135	7,500,000
Malcolm R J Randall	1,887,383	5,250,000

## DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

## PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was mineral exploration in Australia. There were no significant changes in the nature of those activities during the year.

# DIRECTORS' REPORT

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year not otherwise dealt with in this report.

## EVENTS AFTER THE BALANCE DATE

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2014 financial statements.

### Issue of employee share options

On 14 July 2014 the Company issued 1,500,000 options to eligible employees under the employee share option plan. The options have an exercise price of 7 cents each and have an expiry date of 1 July 2017. The options were granted at no cost and carry no dividend or voting rights. The options are not quoted on the Australian Securities Exchange Ltd.

### Share Purchase Plan for Shareholders

On 8 September 2014 the Company resolved to proceed with a Share Purchase Plan to raise up to \$4.183 million by offering fully paid ordinary shares in the Company to eligible shareholders. The funds raised will be used to advance the Company's Razorback Premium Iron Project in South Australia.

## PERFORMANCE IN RELATION TO ENVIRONMENTAL OBLIGATIONS

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has been determined that the risk of non-compliance is low, and has not identified any compliance breaches during the financial year. The directors are not aware of any environmental regulations not being complied with.

## SHARE OPTIONS

### Shares under option

As at the date of this report, there were 37,300,000 unissued ordinary shares of the Company under options.

Date options granted	Expiry date	Exercise price of options	Number of options
Unquoted options			
27 Nov 2009	26 Nov 2014	0.55	4,500,000
30 Nov 2010	29 Nov 2015	0.28	5,750,000
28 Nov 2011	27 Nov 2016	0.21	6,750,000
10 Jul 2012	29 Jul 2015	0.19	500,000
17 Jul 2012	9 Jul 2015	0.225	2,100,000
29 Nov 2012	27 Nov 2017	0.16	6,500,000
26 Mar 2013	25 Mar 2016	0.075	500,000
15 Jul 2013	1 Jul 2016	0.049	2,700,000
28 Nov 2013	31 Oct 2018	0.10	6,500,000
14 Jul 2014	1 Jul 2017	0.07	1,500,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or in the interest issue of any other registered scheme.

## SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS AND OPTIONS EXPIRED

During the financial year;

### Options expired

- (i) 34,742,988 quoted options with an exercise price of 12 cents each expired on 31 October 2013;
- (ii) 3,000,000 unquoted options with an exercise price of 30 cents each expired on 30 November 2013;
- (iii) 150,000 unquoted options with an exercise price of 30 cents each expired on 19 July 2013; and
- (iv) 1,515,000 unquoted options with an exercise price of 24 cents each expired on 9 June 2014;

### Options lapsed

- (i) 200,000 unquoted options with an exercise price of 24 cents each expiring on 9 June 2014 cancelled;
- (i) 330,000 unquoted options with an exercise price of 22.5 cents each expiring on 9 July 2015 cancelled; and
- (ii) 150,000 unquoted options with an exercise price of 4.9 cents each expiring on 1 July 2016 cancelled.

## OPERATING RESULTS

During the year the consolidated entity made a consolidated profit after tax of \$559,596 (2013: loss \$2,697,201).

## CORPORATE INFORMATION

Royal Resources Limited	Parent entity
Razorback Iron Pty Ltd	100% owned controlled entity
Razorback Operations Pty Ltd	100% owned controlled entity
Red Dragon Mining Pty Ltd	100% owned controlled entity
Ironback Pty Ltd	100% owned controlled entity

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the consolidated entity.

### (a) Details of key management personnel

#### Directors

P G Crabb	Chairman (Non-Executive)
M F Flis	Managing director (Executive)
F DeMarte	Director (Executive)
M J Randall	Director (Non-Executive)

#### Executive



F DeMarte	Company Secretary & Chief Financial Officer
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### (b) Compensation of key management personnel

#### Remuneration policy

The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives.

To this end, the consolidated entity embodies the following principles in its compensation framework:

-  Provide competitive rewards to attract high calibre executives; and
-  Link executive rewards to shareholder value.

#### Remuneration committee

The remuneration committee comprises majority of independent directors of the consolidated entity and is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.

The remuneration committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

#### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

#### Non-executive director compensation

##### Objective

The board seeks to set aggregate compensation at a level that provides the consolidated entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.



# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) *CONTINUED*

### Structure

The constitution and the ASX listing rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the annual general meeting held on 26 November 2009 when shareholders approved an aggregate compensation of \$400,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the consolidated entity. An additional fee may also be paid for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub committees.



Non-executive directors have long been encouraged by the board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit.

The compensation of non-executive directors for the year ended 30 June 2014 is detailed as per the disclosures on page 25.

### Executive compensation

#### Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

-  reward executives for Company, business unit and individual performance against targets set by to appropriate benchmarks;
-  align the interests of executives with those of shareholders;
-  link rewards with the strategic goals and performance of the Company; and
-  ensure total compensation is competitive by market standards

#### Structure

In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

The Company has entered into a detailed contract of employment with the managing director, details of this contract are provided on page 26.

### Fixed compensation

#### Objective

Fixed compensation is reviewed annually by the remuneration committee. The process consists of a review of Companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

#### Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

### Other compensation

Notwithstanding guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive directors should not receive options, the directors consider that the grant of the options is designed to encourage the directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the granting of options is an incentive to each of the directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the directors.

## REMUNERATION REPORT (AUDITED) *CONTINUED*

### Remuneration of each director and key management personnel of the Company

Remuneration for the year ended 30 June 2014

Directors	Year	Salary and fees \$	Annual leave accrual \$	Superannuation \$	Termination Benefits \$	Options \$	Long service leave \$	Total remuneration \$	Consisting of options for the year %
<b>Managing director</b>									
M F Flis	2014	367,290	(21,031)	33,974	-	46,000	-	426,233	11%
	2013	400,680	23,813	36,061	-	50,660	-	511,214	10%
<b>Non executive directors</b>									
F DeMarte	2014	113,617	-	10,509	-	34,500	-	158,626	22%
	2013	81,700	-	7,353	-	37,995	-	127,048	30%
P G Crabb	2014	77,695	-	7,187	-	34,500	-	119,382	29%
	2013	77,695	-	6,993	-	37,995	-	122,683	31%
M J Randall	2014	65,398	-	6,049	-	34,500	-	105,947	33%
	2013	65,398	-	5,886	-	37,995	-	109,279	35%
<b>Executive</b>									
T J Heslop <sup>1</sup>	2014	49,847	(25,786)	7,879	165,000	9,874	-	206,814	5%
	2013	214,900	1,460	24,900	-	51,420	-	292,680	18%
<b>Total</b>	2014	673,847	(46,817)	65,598	165,000	159,374	-	1,017,002	16%
	2013	840,373	25,273	81,193	-	216,065	-	1,162,904	19%

Note:

1 T J Heslop's employment ceased on 22 August 2013

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) *CONTINUED*

### Employment agreements for Directors

Mr Marcus Flis, Managing Director

Term of Agreement – no fixed term  
Base salary, inclusive of superannuation, of \$437,743 effective 1 July 2013. Due to the deteriorating market conditions during the year and the Company's financial position, the base salary was voluntarily reduced by 10% from \$400,680 to \$360,612 (excluding superannuation) effective 1 September 2013, to be reviewed annually by the remuneration committee.

Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the base salary for 11.5 months

### Share-based compensation options

Compensation options: Granted and vested during the year ended 30 June 2014.

Vested & granted			Terms & conditions for each grant					
30 June 2014	Number of options	Grant date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry date	First exercise date/vesting date	Last exercise date	% vested and exercisable at 30 June 2014
<b>Directors</b>								
P G Crabb	1,500,000	28/11/2013	0.023	0.10	31/10/2018	28/11/2013	31/10/2018	100%
M F Flis	2,000,000	28/11/2013	0.023	0.10	31/10/2018	28/11/2013	31/10/2018	100%
F DeMarte	1,500,000	28/11/2013	0.023	0.10	31/10/2018	28/11/2013	31/10/2018	100%
M J Randall	1,500,000	28/11/2013	0.023	0.10	31/10/2018	28/11/2013	31/10/2018	100%
<b>Executive</b>								
T J Heslop	750,000	15/07/2013	0.013	0.049	01/07/2016	15/07/2013	01/07/2016	100%
<b>Total</b>	<b>7,250,000</b>							

### Options granted as part of remuneration

Details of options over ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel are set out below. Each option when exercised is convertible into one ordinary share in the Company.

### Vesting conditions

Options issued to directors and employees during the current financial year vest on grant date.  
For details on the valuation of the options, including models and assumptions used, please refer to note 26. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

## REMUNERATION REPORT (AUDITED) *CONTINUED*

### Equity instruments – audited

Analysis of options and rights over equity instruments granted as compensation.

Details of vesting profiles of the options granted as remuneration to each director and key management person of the Group are detailed below.

	Number of options granted	Grant date of options	Exercise Price of Options \$	Fair value of options on grant date \$	Expiry date
<b>Executive directors</b>					
M F Flis	1,500,000	27/11/2009	0.55	151,050	26/11/2014
	1,750,000	30/11/2010	0.28	141,750	29/11/2015
	2,000,000	28/11/2011	0.21	86,000	27/11/2016
	2,000,000	29/11/2012	0.16	50,660	27/11/2017
	2,000,000	28/11/2013	0.10	46,000	31/10/2018
F DeMarte	1,250,000	27/11/2009	0.55	125,875	26/11/2014
	1,500,000	30/11/2010	0.28	121,500	29/11/2015
	1,750,000	28/11/2011	0.21	75,250	27/11/2016
	1,500,000	29/11/2012	0.16	37,995	27/11/2017
	1,500,000	28/11/2013	0.10	34,500	31/10/2018

	Number of options granted	Grant date of options	Exercise Price of Options \$	Fair value of options on grant date \$	Expiry date
<b>Non - executive directors</b>					
P G Crabb	750,000	27/11/2009	0.55	75,525	26/11/2014
	1,000,000	30/11/2010	0.28	81,000	29/11/2015
	1,250,000	28/11/2011	0.21	53,750	27/11/2016
	1,500,000	29/11/2012	0.16	37,995	27/11/2017
	1,500,000	28/11/2013	0.10	34,500	31/10/2018
M.J Randall	500,000	27/11/2009	0.55	50,350	26/11/2014
	750,000	30/11/2010	0.28	60,750	29/11/2015
	1,000,000	28/11/2011	0.21	43,000	27/11/2016
	1,500,000	29/11/2012	0.16	37,995	27/11/2017
	1,500,000	28/11/2013	0.10	34,500	31/10/2018
<b>Executive</b>					
T J Heslop <sup>1</sup>	500,000	10/06/2011	0.24	26,832	09/07/2014
	1,000,000	10/07/2012	0.225	51,420	09/07/2015
	750,000	15/07/2013	0.049	9,874	01/07/2016

Options are fully vested on date of grant.

Note 1: T J Heslop's employment ceased on 22 August 2013



# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) *CONTINUED*

### Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director and key management person is detailed below.

Directors and Executive	Granted in year \$(a)	Value of options exercised in year \$(b)	Lapsed in year \$(c)
<b>Directors</b>			
M F Flis	46,000	-	-
F DeMarte	34,500	-	-
P G Crabb	34,500	-	-
M J Randall	34,500	-	-
<b>Executive</b>			
T J Heslop	9,874	-	-

- (a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes option-pricing model. The total value of the options granted is included in the table above.
- (b) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- (c) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the options lapsed using Black-Scholes option-pricing model.

## DIRECTORS AND EXECUTIVE DISCLOSURE

### Shareholdings of directors and key management personnel

The number of shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below.

30 June 2014	Balance 01-Jul-13 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30-Jun- 14 Ord
<b>Directors</b>					
P G Crabb	24,650,954	-	-	700,210	25,351,164
F DeMarte	3,688,135	-	-	-	3,688,135
M J Randall	1,887,383	-	-	-	1,887,383
M F Flis	2,000,032	-	-	-	2,000,032
<b>Executive</b>					
T J Heslop <sup>1</sup>	220,000	-	-	(220,000)	-
<b>Total</b>	<b>32,446,504</b>	<b>-</b>	<b>-</b>	<b>480,210</b>	<b>32,926,714</b>

Note:

- 1 T J Heslop's employment ceased on 22 August 2013. The number disclosed is at the date of employment ceasing.

30 June 2013	Balance 01-Jul-12 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30-Jun- 13 Ord
<b>Directors</b>					
P G Crabb	24,650,954	-	-	-	24,650,954
F DeMarte	3,688,135	-	-	-	3,688,135
B Richardson	1,867,551	-	-	(1,867,551)	-
M J Randall	1,887,383	-	-	-	1,887,383
M F Flis	1,833,366	-	-	166,666	2,000,032
<b>Executive</b>					
T J Heslop	220,000	-	-	-	220,000
<b>Total</b>	<b>34,147,389</b>	<b>-</b>	<b>-</b>	<b>(1,700,885)</b>	<b>32,446,504</b>

## REMUNERATION REPORT (AUDITED) *CONTINUED*

### DIRECTORS AND EXECUTIVE DISCLOSURES *CONTINUED*

Options holding of directors and key management personnel

Vested at 30 June 2014

30 June 2014	Balance at beginning of year 01-Jul-13	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30-Jun-14	Total	Exercisable	Not exercisable
<b>Directors</b>								
P G Crabb	7,316,135	1,500,000	-	(2,816,135)	6,000,000	6,000,000	6,000,000	-
F DeMarte	7,269,733	1,500,000	-	(1,269,733)	7,500,000	7,500,000	7,500,000	-
M J Randall	4,448,197	1,500,000	-	(698,197)	5,250,000	5,250,000	5,250,000	-
M F Flis	7,654,766	2,000,000	-	(404,766)	9,250,000	9,250,000	9,250,000	-
<b>Executive</b>								
T J Heslop <sup>1</sup>	1,650,000	750,000	-	(2,400,000)	-	-	-	-
<b>Total</b>	<b>28,338,831</b>	<b>7,250,000</b>	<b>-</b>	<b>(7,588,831)</b>	<b>28,000,000</b>	<b>28,000,00</b>	<b>28,000,000</b>	<b>-</b>

Note:

1 T J Heslop's employment ceased on 22 August 2013. The number disclosed is at the date of employment ceasing.

Vested at 30 June 2013

30 June 2013	Balance at beginning of year 01-Jul-12	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30-Jun-13	Total	Exercisable	Not exercisable
<b>Directors</b>								
P G Crabb	5,816,135	1,500,000	-	-	7,316,135	7,316,135	7,316,135	-
F DeMarte	5,769,733	1,500,000	-	-	7,269,733	7,269,733	7,269,733	-
B D Richardson	2,600,000	-	-	(2,600,000)	-	-	-	-
M J Randall	2,948,197	1,500,000	-	-	4,448,197	4,448,197	4,448,197	-
M F Flis	8,154,766	2,000,000	-	(2,500,000)	7,654,766	7,654,766	7,654,766	-
<b>Executive</b>								
T J Heslop	650,000	1,000,000	-	-	1,650,000	1,650,000	1,650,000	-
<b>Total</b>	<b>25,938,831</b>	<b>7,500,000</b>	<b>-</b>	<b>(5,100,000)</b>	<b>28,338,831</b>	<b>28,338,831</b>	<b>28,338,83</b>	<b>-</b>

END OF DIRECTORS' REMUNERATION REPORT (AUDITED)

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The number of meetings of directors (including meeting of committees of directors) held during the year and the number of meetings attended by each director are:

Name	Board of directors' meetings		Audit committee meetings		Remuneration committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
P G Crabb	7	7	-	-	-	-
M F Flis	7	6	-	-	-	-
F DeMarte	7	7	2	2	-	-
M J Randall	7	7	2	2	-	-

## COMMITTEE MEMBERSHIPS

As at the date of this report, the Company had an audit and remuneration committee. The role of the nomination committee is carried out by the full board.

Audit	Remuneration	Nomination
M J Randall <sup>(C)</sup>	M J Randall <sup>(C)</sup>	P G Crabb <sup>(C)</sup>
Frank DeMarte	F DeMarte	M J Randall
	P G Crabb	F DeMarte
		M F Flis

Note: (C) Designates the chairman of the committee

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

## INSURANCE OF DIRECTORS AND OTHERS

During the financial year \$16,070 was paid to insure the directors and officers of the Company for the period 09 February 2014 to 31 July 2014. In terms of the policy, no specific amounts are allocated to individual directors.

## 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 Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings.

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

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 71.

## NON-AUDIT SERVICES

Stantons International or its related parties have not received nor are they due to receive any amounts for the year ended 30 June 2014 for the provision of non-audit services.

## OPERATIONS AND FINANCIAL REVIEW

### Operations

Royal Resources Limited is a mineral exploration company, transitioning to mine developer. The Company has continued to progress studies and search for a strategic partner to progress the Razorback Premium Iron Project to the next phase. The Company is also continuing its search for other projects.

In this tough economic climate the Company has had to rationalise both project and corporate expenditure including but not limited to staff redundancies. While every effort will be made to retain staff going forward, additional redundancies may be necessary to ensure the survival of the Company.

### Result for the year

Operations in the financial year ended 30 June 2014 have resulted in a profit of \$0.56 million compared to last year's loss of \$2.69 million. This is due to reduced activities and income tax benefit received of \$3.79 million.

### Financial position

Management and directors are constantly monitoring expenditure and cash balances to ensure the survival of the Company. Current cash flow forecasts indicate that, with available cash, the Company will remain liquid at least until the middle of 2015 while maintaining necessary exploration work.

Signed in accordance with a resolution of the directors.



Marcus F Flis  
MANAGING DIRECTOR



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
Other income	4(a)	97,473	451,883
Exploration expenditure		(254,744)	(274,012)
Loss on sale of plant and equipment	4(b)	(352)	(31,105)
Employee benefits		(1,264,432)	(1,769,388)
Share based payment expense	17 (d)	(187,022)	(325,884)
Professional fees		(631,292)	(478,426)
Depreciation and amortisation		(90,346)	(175,603)
General and administrative costs		(407,604)	(667,183)
Increase/(Diminution) in value of investment	9 (a)	129,413	(660,796)
Other expenses		(115,950)	(161,654)
Share of net loss of associate	9 (a)	(137,626)	(550,023)
Reversal of non-recovery of loan to associate		233,492	(233,492)
<b>(Loss)/profit before finance costs</b>		<b>(2,628,990)</b>	<b>(4,875,683)</b>
Finance income		130,783	247,770
Finance costs		(3,501)	(3,901)
<b>Operating (loss) before income tax</b>		<b>(2,501,708)</b>	<b>(4,631,814)</b>
Income tax benefit	5(a)	3,061,304	1,934,613
Profit/(loss) from continuing operations after income tax		559,596	(2,697,201)
<b>Profit/(loss) for the year after tax</b>		<b>559,596</b>	<b>(2,697,201)</b>

CONTINUED

	Notes	2014 \$	2013 \$
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation	17(d)	-	-
Share of translation reserve of associate	17(d)	38,549	33,005
Share of fair value reserve of associate	17(d)	(38,569)	(57,588)
<b>Items that will not be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>559,576</b>	<b>(2,721,784)</b>
Profit/(loss) for the year attributable to members of the Company		559,596	(2,697,201)
<b>Total comprehensive income/(loss) for the year, net of tax, attributable to the members of the Company</b>		<b>559,576</b>	<b>(2,721,784)</b>
<b>Earnings per share from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings/(loss) per share (cents per share)	6	0.16	(0.80)
Diluted earnings/(loss) per share (cents per share)	6	0.16	(0.80)

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 JUNE 2014

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	3,671,290	4,123,976
Trade and other receivables	8(a)	74,510	166,665
Other financial assets	10	18,018	22,932
<b>Total current assets</b>		<b>3,763,818</b>	<b>4,313,573</b>
<b>Non-current assets</b>			
Trade and other receivables	8(b)	97,754	97,754
Investment in associate	9	326,853	335,086
Plant and equipment	12	160,220	236,447
Exploration expenditure	13	31,595,944	29,800,960
Intangible assets	14	6,980	25,120
<b>Total non-current assets</b>		<b>32,187,751</b>	<b>30,495,367</b>
<b>TOTAL ASSETS</b>		<b>35,951,569</b>	<b>34,808,940</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	187,328	432,368
Provisions	16	95,540	184,858
<b>Total current liabilities</b>		<b>282,868</b>	<b>617,226</b>
<b>Non-current liabilities</b>			
Deferred tax liability	5(b)	730,389	-
<b>Total Non-current liabilities</b>		<b>730,389</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,013,257</b>	<b>617,226</b>

CONTINUED

	Notes	2014 \$	2013 \$
<b>NET ASSETS</b>			
		<b>34,938,312</b>	<b>34,191,714</b>
<b>EQUITY</b>			
Contributed equity	17(a)	44,325,919	44,325,919
Reserves	17(d)	7,620,753	7,433,751
Accumulated losses		(17,008,360)	(17,567,956)
<b>TOTAL EQUITY</b>		<b>34,938,312</b>	<b>34,191,714</b>

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2014

	Notes	Contributed Equity	Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
At 1 July 2013		44,325,919	7,433,751	(17,567,956)	34,191,714
Total Comprehensive income/(loss) for the year					
Profit for the year		-	-	559,596	559,596
Share of translation reserve of associate		-	38,549	-	38,549
Share of fair value reserve of associate		-	(38,569)	-	(38,569)
Total comprehensive income/(loss) for the year		-	(20)	559,596	559,576
Transaction with owners recorded directly in equity:					
Contribution of equity, net of transaction costs	17 (b)	-	-	-	-
Recognised value of share based payments	17 (d)	-	187,022	-	187,022
Recognised value of share based payments of associate	17 (d)	-	-	-	-
At 30 June 2014		44,325,919	7,620,753	(17,008,360)	34,938,312
At 1 July 2012		43,682,070	7,116,391	(14,870,755)	35,927,706
Total Comprehensive (loss) for the year					
(Loss) for the year		-	-	(2,697,201)	(2,697,201)
Share of translation reserve of associate		-	33,005	-	33,005
Share of fair value reserve of associate		-	(57,588)	-	(57,588)
Total comprehensive (loss) for the year		-	(24,583)	(2,697,201)	(2,721,784)
Contribution of equity, net of transaction costs	17 (b)	643,849	-	-	643,849
Recognised value of share based payments	17 (d)	-	325,884	-	325,884
Recognised value of share based payments of associate	17 (d)	-	16,059	-	16,059
At 30 June 2013		44,325,919	7,433,751	(17,567,956)	34,191,714

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,689,184)	(3,052,039)
Interest received		133,266	252,583
Other revenue		3,915,799	1,970,276
Refund from Internal Revenue State received		-	170,532
<b>Net cash flows from/(used in) operating activities</b>	7(b)	<b>1,359,881</b>	<b>(658,648)</b>
<b>Cash flows from investing activities</b>			
Payment for plant and equipment	12	(8,773)	(43,694)
Payment for intangibles	14	-	(22,176)
Placement of security deposits	8(b)	-	(20,000)
Redemption of security deposits	8(b)	-	38,470
Proceeds from disposal of plant and equipment	4(b)	12,442	3,918
Proceeds from disposal of tenements	4(a)	-	511,023
Payment for exploration and evaluation expenditure		(1,948,568)	(5,426,882)
Loan to Aldershot		(55,000)	(111,651)
Repayment of loan from Aldershot		187,332	-
<b>Net cash flows (used in) investing activities</b>		<b>(1,812,567)</b>	<b>(5,070,992)</b>

CONTINUED

	Notes	2014 \$	2013 \$
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of shares and shares to be issued	17(b)	-	643,849
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>643,849</b>
Net (decrease)/increase in cash and cash equivalents		(452,686)	(5,085,791)
Cash and cash equivalents at beginning of the financial year		4,123,976	9,209,767
<b>Cash and cash equivalents at end of the financial year</b>	7(a)	<b>3,671,290</b>	<b>4,123,976</b>

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 1. CORPORATE INFORMATION

This financial report includes the consolidated financial statements and notes of Royal Resources Limited and its controlled entities ("consolidated entity or Group").

The financial report of Royal Resources Limited (the "Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 19 September 2014.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

The nature of the operations and principal activities of the Group are described on page 21 of the Directors' Report.

Separate financial statements of the Company as an individual entity are no longer presented as the consequences of a change to the Corporations Act 2001, however required financial information for the Company as an individual entity is included in note 22.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Standards and Interpretations). The financial report has also been prepared on a historical cost basis and the accruals basis, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### *Going concern*

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The group recorded a profit of \$559,596 for the year ended 30 June 2014. Total exploration expenditure written off in the year is \$254,744.

The group had cash assets of \$3,671,290 at 30 June 2014 and investments held for trading and available for sale valued at \$18,018 at the reporting date. The directors consider these funds, combined with additional funds from the sale of assets and capital raising to be sufficient for the planned expenditure on the mineral projects for the ensuing 12 months as well as for corporate and administrative overhead costs. The directors also believe that they have the capacity to raise additional capital should that become necessary. For these reasons, the directors believe the going concern basis of preparation is appropriate.

### *Statement of compliance*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2014 are outlined below.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### *Principles of Consolidation*







The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Royal Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.


Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

### (b) New standards and interpretations Adopted in 2013/14 FY

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

-  AASB 10: Consolidated Financial Statements;
-  AASB 11: Joint Arrangements;
-  AASB 12: Disclosure of Interests in Other Entities;
-  AASB 13: Fair Value Measurement;
-  AASB 119: Employee Benefits; and
-  AASB 127: Separate Financial Statements

### Account Standard and Interpretation

-  AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (b) New standards and interpretations Adopted in 2013/14 FY *continued*

There have been no changes to the treatment of investees compared to prior year.

#### AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not impacted on the financial statements of the Group.

#### AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.



#### AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).



#### AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (c) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

 AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

*Other standards not yet applicable*

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian		
Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *Share based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by either an external valuer or internally using a Black-Scholes option pricing model, using the assumptions detailed in note 26.

#### *Mineral exploration and evaluation*

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest.

These costs may be carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area of interest are continuing.

#### *Subsidiary intercompany loans and loans advanced to an associate*

Provisions for write off of intercompany loans and loans advanced to an associate are made where there is significant uncertainty as to whether the loans are recoverable.

#### *Recovery of deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Deferred tax assets will not be recognised until the Group is able to generate a net taxable income.

Estimates of future taxable income will be based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

### (e) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of any outstanding bank overdrafts.

### (f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### (g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

#### (g) *Income tax continued*

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- ✿ when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ✿ when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- ✿ when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- ✿ when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### (h) *Other taxes*

Revenues, expenses and assets are recognised net of amount of GST except:

- ✿ when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- ✿ receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (i) Plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in value.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment – over 4 to 10 years

Motor vehicles – over 4 years

Office furniture and equipment – over 3 years

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

### (j) Intangible assets

Intangible assets are made up of licences and software and are stated at cost less any accumulated amortisation and any impairment value.

#### *Amortisation*

The amortisation amount of all intangible assets are amortised on a straight line basis over two years of their useful lives to the Group commencing from the time the asset is held ready for use.

### (k) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision was made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they may not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

### (l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided by the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### (n) Earnings per share

- (i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.
- (ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

### (o) Contributed equity

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

### (p) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

### (q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

### (r) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (r) Impairment of assets *continued*

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (s) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the profit or loss.

Gains or losses on available-for-sale investments are recognised as a separate component of equity.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as thorough the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

### (t) Share-based payment transactions

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (t) Share-based payment transactions *Continued*

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

### (1) Cash settled transaction

The Group may provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see note 26). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

### (2) Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place the employee option share plan, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, further details of which are given in note 26.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (u) Comparatives

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

### (v) Foreign currency translation

#### (i) Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of its associate Aldershot Resources Ltd is Canadian dollar. The functional currency of all other subsidiaries is Australian dollars.

#### (ii) Transaction and balances

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

#### (iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date. Income and expenses are translated at average exchange rates for the period. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

### (w) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

### (x) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

Details of the Group's interests in joint arrangements previously held are now fully acquired by the Company. Refer to Note 21.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (y) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:



Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.



Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.



Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.



Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

### (y) Fair Value of Assets and Liabilities *continued*

#### Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

##### Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

##### Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

##### Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 3. SEGMENT INFORMATION

### Description of segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

During the year the Group operated in one operating segment and one geographical area, being mineral exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources in the Group.

### Segment Revenue

Other income  
Finance revenue  
Total revenue

### Segment result

Segment result  
Intersegment elimination  
(Loss)/Gain before income tax  
Income tax benefit  
(Loss)/Gain for the year

### Segment assets and liabilities

Segment assets<sup>1</sup>  
Intersegment elimination  
Total assets  
Segment liabilities  
Intersegment elimination  
Total liabilities

### Other segment information

Acquisition of property, plant and equipment and intangibles  
Depreciation and amortisation expense  
Impairment of intercompany debt  
Total impairment expense  
Intersegment elimination

Australia		Consolidated	
2014	2013	2014	2013
\$	\$	\$	\$
97,473	451,883	97,473	451,883
130,783	247,770	130,783	247,770
228,256	699,653	228,256	699,653
(2,501,728)	(4,940,300)	(2,501,728)	(4,940,300)
		20	308,486
		(2,501,708)	(4,631,814)
		3,061,304	1,934,613
		559,596	(2,697,201)
35,951,569	34,808,940	35,951,569	34,808,940
		-	-
		35,951,569	34,808,940
1,013,257	617,226	1,013,257	617,226
		-	-
		1,013,257	617,226
8,773	65,870	8,773	65,870
90,346	175,603	90,346	175,603
-	-	-	-
-	-	-	-
		-	-
		-	-

Note:

1 Includes investment of \$326,853 (2013: \$335,086) in associated company listed on the TSX



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 4. OTHER INCOME AND EXPENSES

	Consolidated Group	
	2014	2013
	\$	\$
(a) Other income		
(Decrease)/increase in market value of investments	(4,914)	(9,390)
Sundry income	102,387	57,383
Foreign currency (loss)/gain	-	(7,133)
	<u>97,473</u>	<u>40,860</u>
Proceeds from disposal of tenements	-	520,000
Cost of sale	-	(108,977)
Net gain on disposal tenements	-	411,023
	<u>97,473</u>	<u>451,883</u>
(b) Gain/(loss) from disposal of plant and equipment		
Proceeds from disposal of plant and equipment	12,442	3,918
Less carrying value of disposed plant and equipment	(12,794)	(35,023)
Net loss on disposal of plant and equipment	<u>(352)</u>	<u>(31,105)</u>

## 5. INCOME TAX

	Consolidated Group	
	2014	2013
	\$	\$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before income tax from continuing operations	(2,501,708)	(4,631,814)
Net foreign entity adjustments	-	-
(Loss)/gain from ordinary activities before income tax expense	<u>(2,501,708)</u>	<u>(4,631,814)</u>
Prima facie tax benefit on loss from ordinary activities at 30% (2013: 30%)	(750,512)	(1,389,544)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unlisted options	56,107	95,971
Fines and penalties	90	1,541
Entertainment	1,393	3,306
	<u>(692,922)</u>	<u>(1,288,726)</u>
Movements in unrecognised temporary differences	-	396,565
Tax effect of current year tax losses for which no deferred tax asset has been recognised	-	892,161
Initial recognised of deferred tax asset/liabilities	<u>1,423,311</u>	-
Net deferred tax liability recognised in profit or loss	<u>730,389</u>	-
Research and development grant received	<u>(3,791,693)</u>	<u>(1,934,613)</u>
Income tax (benefit)/expense	<u>(3,061,304)</u>	<u>(1,934,613)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### 5. INCOME TAX *CONTINUED*

	Consolidated Group	
	2014	2013
	\$	\$
<b>(b) Recognised temporary differences</b>		
<b>Deferred tax assets (at 30%)</b>		
Prepayments	335	-
Property, plant and equipment	-	-
Investment in associate	897,708	-
Provisions	36,948	-
Capital raising costs	97,721	-
Carry forward revenue tax losses	6,001,315	-
	<u>7,034,027</u>	<u>-</u>
<b>Deferred tax liabilities (at 30%)</b>		
Unearned revenue	-	-
Capitalised tenement acquisition and exploration costs	7,764,416	-
	<u>7,764,416</u>	<u>-</u>
Net recognised deferred tax liability	<u>(730,389)</u>	<u>-</u>
<b>(c) Unrecognised temporary differences</b>		
<b>Deferred tax assets (at 30%)</b>		
Prepayments	-	-
Property, plant and equipment	-	-
Investment in associate	-	963,811
Provisions	-	79,665
Capital raising costs	-	159,246
Carry forward revenue tax losses	-	7,187,676
Carry forward capital tax losses	1,625,843	1,625,843
	<u>1,625,843</u>	<u>10,016,241</u>
<b>Deferred tax liabilities (at 30%)</b>		
Unearned revenue	-	7,286
Capitalised tenement acquisition and exploration	-	7,279,223
	<u>-</u>	<u>7,286,509</u>

Potential future income tax benefits attributable to capital tax losses amounting to approximately \$1,625,843 (2013: \$1,625,843) at 2014 corporate tax rate of 30%, have not been brought to account at 30 June 2014 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the capital deductions to be realised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the carry forward capital tax losses.

### 6. EARNINGS PER SHARE

- Basic earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

- 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2014 Cents	2013 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	0.16	(0.80)
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>0.16</u>	<u>(0.80)</u>
Weighted average number of ordinary shares	<u>348,629,539</u>	<u>339,207,416</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 6. EARNINGS PER SHARE *CONTINUED*

	Consolidated Group	
	2014 \$	2013 \$
(b) Reconciliation of earnings used in calculating earnings per share		
Profit/(loss) attributable to the ordinary holders of the Company used in calculating the basic earnings per share:	559,596	(2,697,201)
	559,596	(2,697,201)
	2014 Cents	2013 Cents
(c) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	0.16	(0.80)
Weighted average number of ordinary shares to determine diluted earnings per share	348,629,539	339,207,416

## 7 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2014 \$	2013 \$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprises:		
Cash at bank and in hand	371,290	373,976
Short-term deposits	3,300,000	3,750,000
	3,671,290	4,123,976

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

	Consolidated Group	
	2014 \$	2013 \$
(b) Reconciliation of net profit/(loss) after income tax to net cash flows from operating activities		
Net profit/(loss) for the year	559,596	(2,697,201)
Adjustment for :		
Depreciation and amortisation	90,346	175,603
Exploration expenditure written off	254,744	274,012
Share options expensed	187,022	325,884
(Increase)/Diminution in value of investment	(129,413)	660,796
Share of net loss on associate	137,626	550,023
Decrease in market value of investments	4,914	9,390
Loss on disposal of plant and equipment	352	31,105
Foreign currency exchange differences	-	-
Gain on disposal of tenements	-	(411,023)
Reversal of provision for non-recovery of loans	(233,492)	233,492
Deferred tax liability	730,389	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	92,155	145,881
(Decrease)/increase in trade, other payables and provisions	(334,358)	43,390
Net cash from/(used in) operating activities	1,359,881	(658,648)

### Non Cash Financing and Investing Activities

In the current year there are no non cash financing and investing activities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 8. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2014	2013
	\$	\$
(a) Current		
GST receivable	22,105	82,713
Prepayments	31,575	51,277
Sundry debtors <sup>1</sup>	20,830	32,675
	<u>74,510</u>	<u>166,665</u>

Note:

- Other receivables are non-interest bearing and generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 30 June 2014 no amounts are impaired or past due.

	Consolidated Group	
	2014	2013
	\$	\$
b) Non-current		
Opening balance	97,754	116,224
Loan to Aldershot Resources Limited <sup>1</sup>	-	233,492
Provision on loan to Aldershot Resources Limited	-	(233,492)
Placement of deposits	-	20,000
Redemption of deposits	-	(38,470)
Term deposit for bonds	<u>97,754</u>	<u>97,754</u>

Note:

- Loan provided to Aldershot Resources Limited at an interest rate of 90 days Bank bill swap rate + 4%. On 17 June 2014, this loan was repaid in full.

## 9. INVESTMENT IN ASSOCIATES

Interests that are held in the following associated company

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investments	
				2014	2013	2014	2013
Aldershot Resources Ltd	Mineral Exploration	Canada	Ord	40.69%	40.69%	\$326,853	\$335,086

	Consolidated Group	
	2014	2013
	\$	\$
(a) Movements during the year in equity accounted investment in associated companies		
Balance at the beginning of the year	335,086	1,554,429
Share of associated companies loss after tax	(137,626)	(550,023)
Share of translation reserve of associate	38,549	33,005
Share of fair value reserve of associate	(38,569)	(57,588)
Recognised value of share based payments of associate	-	16,059
Reversal of impairment	<u>129,413</u>	<u>(660,796)</u>
Balance at the end of the year	<u>326,853</u>	<u>335,086</u>

### (b) Equity accounted profit/(loss) of associate are broken down as follows

Share of associates loss before income tax	(137,626)	(550,023)
Share of associates income tax expense	-	-
	<u>(137,626)</u>	<u>(550,023)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 9. ASSOCIATED COMPANIES *CONTINUED*

	Consolidated Group	
	2014 \$	2013 \$
(c) Summarised presentation of aggregate assets, liabilities and performance of associates		
Current assets	99,898	519,529
Non current assets	637,703	619,433
Total assets	737,601	1,138,962
Current liabilities	57,809	72,830
Non current liabilities	-	210,120
Total liabilities	57,809	282,950
Net assets	679,792	856,012
(d) Revenues	2,122	-
(e) Loss after income tax of associate	(338,231)	(1,437,405)

At 30 June 2014 the market value of the shares that the Group held in Aldershot Resources Ltd was \$326,853 and as at 18 September 2014 the market value was \$329,214

## 10. OTHER FINANCIAL ASSETS (CURRENT)

	Consolidated Group	
	2014 \$	2013 \$
Listed shares at fair value		
Gascoyne Resources Limited	18,018	22,932
	18,018	22,932

Fair value is based on the market price of the shares at 30 June 2014 (refer to note 18)

## 11. CONTROLLED ENTITIES

Name	Country of Incorporation	Percentage interest held		Carrying Amount of parent entity's investment	
		2014 %	2013 %	2014 \$	2013 \$
Razorback Iron Pty Ltd	AUS	100	100	20	20
Razorback Operations Pty Ltd	AUS	100	100	20	20
Red Dragon Mining Pty Ltd	AUS	100	100	20	20
Ironback Pty Ltd	AUS	100	-	100	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 12. PLANT AND EQUIPMENT

	Consolidated Group	
	2014	2013
	\$	\$
Leasehold improvements, at cost	-	90,144
Less: accumulated depreciation	-	(82,119)
Less: disposal	-	(8,025)
	-	-
Plant and equipment, at cost	344,217	381,047
Less: accumulated depreciation	(235,091)	(224,227)
Less: disposal	-	(8,574)
	109,126	148,246
Office equipment, at cost	142,619	269,758
Less: accumulated depreciation	(102,574)	(193,056)
Less: disposal	(807)	(18,424)
	39,238	58,278
Motor vehicles, at cost	78,180	78,180
Less: accumulated depreciation	(40,214)	(48,257)
Less: disposal	(26,110)	-
	11,856	29,923
Total property, plant and equipment	160,220	236,447

### Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Consolidated Group	
	2014	2013
	\$	\$
<b>Leasehold improvements</b>		
Carrying amount at the beginning of the year	-	12,229
Disposals	-	(8,025)
Depreciation	-	(4,204)
Carrying amount at the end of the year	-	-
<b>Plant and equipment</b>		
Carrying amount at the beginning of the year	148,246	212,731
Additions	6,000	10,266
Disposals	-	(8,574)
Depreciation	(45,120)	(66,177)
Carrying amount at the end of the year	109,126	148,246
<b>Office furniture and equipment</b>		
Carrying amount at the beginning of the year	58,278	75,966
Additions	2,773	33,428
Disposals	(807)	(18,424)
Accumulated depreciation on disposal	143	
Depreciation	(21,149)	(32,692)
Carrying amount at the end of the year	39,238	58,278



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 12. PLANT AND EQUIPMENT *CONTINUED*

	Consolidated Group	
	2014	2013
	\$	\$
<b>Motor vehicles</b>		
Carrying amount at the beginning of the year	29,923	42,746
Additions	-	-
Disposals	(26,110)	-
Accumulated depreciation on disposal	13,980	-
Depreciation	(5,937)	(12,823)
Carrying amount at the end of the year	11,856	29,923
Total carrying amount	160,220	236,447

## 13. EXPLORATION EXPENDITURE

	Consolidated Group	
	2014	2013
	\$	\$
At 1 July 2013	29,800,960	25,515,839
Exploration expenditure	2,049,728	4,559,133
Expenditure written off	(254,744)	(274,012)
At 30 June 2014	31,595,944	29,800,960

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subject to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

## 14. INTANGIBLES

	Consolidated Group	
	2014	2013
	\$	\$
Software and licences, at cost	185,878	185,878
Less: accumulated amortisation	(178,898)	(160,758)
	6,980	25,120

### Reconciliation

Reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year are set out below:

Opening balance at 1 July 2013	25,120	62,651
Additions	-	22,176
Amortisation	(18,140)	(59,707)
Carrying amount at 30 June 2014	6,980	25,120

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 15. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated Group	
	2014	2013
	\$	\$
Trade payables <sup>1</sup>	<b>187,328</b>	432,368

Note 1: Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

## 16. PROVISIONS (CURRENT)

	Consolidated Group	
	2014	2013
	\$	\$
Employee benefits	<b>95,540</b>	184,858

## 17. CONTRIBUTED EQUITY AND RESERVES

	Number of shares 2014	Number of shares 2013	2014 \$	2013 \$
(a) Issued and paid up capital				
Ordinary shares	<b>348,629,539</b>	348,629,539	<b>44,325,919</b>	44,325,919
<b>Total</b>	<b>348,629,539</b>	348,629,539	<b>44,325,919</b>	44,325,919

### (b) Movement in ordinary shares on issue

	Number of shares	Issue price \$	Total \$
Balance at 30 June 2012	335,553,030		43,682,070
Option Conversion	100,000	0.080	8,000
Placement	12,976,509	0.049	635,849
Less transaction costs	-	-	-
<b>Balance at 30 June 2013</b>	<b>348,629,539</b>		<b>44,325,919</b>
Option Conversion	-	-	-
Placement	-	-	-
Less transaction costs	-	-	-
<b>Balance at 30 June 2014</b>	<b>348,629,539</b>		<b>44,325,919</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(c) Movement in options on issue

	Balance at the beginning of the year	Issued during the year	Exercised during the year	Cancelled during the year	Expired during the year	Balance at the end of the year
Unquoted options exercisable at 30 cents, on or before 19 July 2013	150,000	-	-	-	(150,000)	-
Quoted options exercisable at 12 cents, on or before 31 October 2013	34,742,988	-	-	-	(34,742,988)	-
Unquoted options exercisable at 30 cents, on or before 30 November 2013	3,000,000	-	-	-	(3,000,000)	-
Unquoted options exercisable at 24 cents, on or before 9 June 2014	1,715,000	-	-	(200,000)	(1,515,000)	-
Unquoted options exercisable at 55 cents, on or before 26 November 2014	4,500,000	-	-	-	-	4,500,000
Unquoted options exercisable at 22.5 cents, on or before 9 July 2015	2,430,000	-	-	(330,000)	-	2,100,000
Unquoted options exercisable at 19 cents, on or before 29 July 2015	500,000	-	-	-	-	500,000
Unquoted options exercisable at 28 cents, on or before 29 November 2015	5,750,000	-	-	-	-	5,750,000
Unquoted options exercisable at 7.5 cents, on or before 25 March 2016	500,000	-	-	-	-	500,000
Unquoted options exercisable at 21 cents, on or before 27 November 2016	6,750,000	-	-	-	-	6,750,000
Unquoted options exercisable at 16 cents, on or before 27 November 2017	6,500,000	-	-	-	-	6,500,000
Unquoted options exercisable at 4.9 cents, on or before 1 July 2016	-	2,850,000	-	(150,000)	-	2,700,000
Unquoted options exercisable at 10 cents, on or before 31 October 2018	-	6,500,000	-	-	-	6,500,000
<b>Total</b>	<b>66,537,988</b>	<b>9,350,000</b>	<b>-</b>	<b>(680,000)</b>	<b>(39,407,988)</b>	<b>35,800,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## (d) Reserves

	Consolidated Group	
	2014	2013
	\$	\$
<b>Listed option reserve</b>		
Balance at the beginning of the year	1,007,941	1,007,941
Proceeds from option issue	-	-
Balance at the end of the year	1,007,941	1,007,941
<b>Foreign currency</b>		
Balance at the beginning of the year	33,005	-
Foreign currency translation	-	-
Share of translation reserve of associate	38,549	33,005
Balance at the end of the year	71,554	33,005
<b>Share based payments reserve</b>		
Balance at the beginning of the year	6,450,393	6,108,450
Options expense	187,022	325,884
Value of share based payments of associate	-	16,059
Balance at the end of the year	6,637,415	6,450,393
<b>Fair value reserve</b>		
Balance at the beginning of the year	(57,588)	-
Share of fair value reserve of associate	(38,569)	(57,588)
Balance at the end of the year	(96,157)	(57,588)
<b>Total reserves at year end</b>	<b>7,620,753</b>	<b>7,433,751</b>

### Listed option reserve

This reserve is used to record the proceeds from the issue of listed options, net of expenses of the issue.

### Foreign currency translation reserve

This reserve is used to record exchange differences arising on transactions of the Group entities that do not have a functional currency of Australian dollars and have been translated into Australian dollars for presentation purposes as described in note 2(v).

### Share based payments reserve

This reserve is used to record the value of equity benefits provided to directors, employees and consultants as part of their remuneration. Refer note 26 for further details. Options were also issued to acquire an investment in an unlisted public company in the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 18. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash, short term deposits and investments held for trading. The main purpose of these financial instruments is to maintain the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables.

### (a) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises

Consolidated	Floating interest rate		Fixed interest rate – 1 year or less		Non-interest bearing		Total	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
<b>Financial assets</b>								
Cash and cash equivalents	340,195	331,345	3,300,000	3,750,000	31,095	42,631	3,671,290	4,123,976
Trade and other receivables	-	-	97,754	97,754	42,935	115,388	140,689	213,142
Other financial assets	-	-	-	-	18,018	22,932	18,018	22,932
Total financial assets	340,195	331,345	3,397,754	3,847,754	92,048	180,951	3,829,997	4,360,050
<b>Financial liabilities</b>								
Trade and other payables	-	-	-	-	(187,328)	(432,368)	(187,328)	(432,368)
Total financial liabilities	-	-	-	-	(187,328)	(432,368)	(187,328)	(432,368)
Net financial assets/(liabilities)	340,195	331,345	3,397,754	3,847,754	(95,280)	(251,417)	3,642,669	3,927,682

Weighted average interest rate	1.5%	1.75%	3.27%	3.66%
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 18. FINANCIAL INSTRUMENTS *CONTINUED*

	Consolidated Group	
	2014	2013
	\$	\$
<b>Reconciliation of net financial assets/ (liabilities) to net assets</b>		
Net financial assets/(liabilities) as above	3,642,669	3,927,682
Prepayments (note 8a)	31,575	51,277
Plant and equipment (note 12)	160,220	236,447
Exploration & evaluation expenditure (note 13)	31,595,944	29,800,960
Intangibles (note 14)	6,980	25,120
Provisions (note 16)	(95,540)	(184,858)
Investment in associate	326,853	335,086
Deferred tax liability	(730,389)	-
Net assets per statement of financial position	<u>34,938,312</u>	<u>34,191,714</u>

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value.

### (b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's primary banker is National Australia Bank, at balance date a majority of all operating accounts are with this bank.

All funds on deposit are placed with reputable counterparties with an "A" credit rating or higher. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

### (c) Net fair value of financial assets and liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value, except for the fair value of equity investments traded on organised markets which have been valued by reference to the market prices prevailing at balance date for those equity investments.

### (d) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date. In prior periods the Group was exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

### (e) Liquidity risk

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

### (f) Market risk

The Group manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 18. FINANCIAL INSTRUMENTS *CONTINUED*

### Financial Risk Management

Consolidated 2014 Financial assets	Level 1 \$	Level 2 \$	Total \$
Financial assets at fair value through the profit or loss			
Investments held for trading	18,018	-	18,018
<b>Total</b>	<b>18,018</b>	<b>-</b>	<b>18,018</b>

Consolidated 2013 Financial assets	Level 1 \$	Level 2 \$	Total \$
Financial assets at fair value through the profit or loss			
Investments held for trading	22,932	-	22,932
<b>Total</b>	<b>22,932</b>	<b>-</b>	<b>22,932</b>

#### Level 1

The fair value of these financial assets has been based on the closing quoted bid prices at reporting date.

#### Level 2

Valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

## 19. SENSITIVITY ANALYSIS

### (a) Interest rate risk

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$	Interest rate risk -1% Net loss \$	Equity \$	Interest rate risk + 1% Net gain \$	Equity \$
Consolidated 30 June 2014					
Financial assets					
Cash and cash equivalents	3,640,195	(36,402)	(36,402)	36,402	36,402
Other receivables	97,754	(978)	(978)	978	978
<b>Total</b>	<b>3,737,949</b>	<b>(37,380)</b>	<b>(37,380)</b>	<b>37,380</b>	<b>37,380</b>

	Carrying amount \$	Interest rate risk -1% Net loss \$	Equity \$	Interest rate risk + 1% Net gain \$	Equity \$
Consolidated 30 June 2013					
Financial assets					
Cash and cash equivalents	4,081,345	(40,813)	(40,813)	40,813	40,813
Other receivables	97,754	(978)	(978)	978	978
<b>Total</b>	<b>4,179,099</b>	<b>(41,791)</b>	<b>(41,791)</b>	<b>41,791</b>	<b>41,791</b>

None of the Group's financial liabilities are interest bearing.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### 19. SENSITIVITY ANALYSIS *CONTINUED*

#### (b) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date. In prior periods the Group was exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The following foreign exchange rates applied during previous financial year:

### 20. COMMITMENTS

There are no outstanding commitments or contingencies which are not disclosed in the financial report of the Company as at 30 June 2014 other than:

#### (i) Mineral tenement expenditure commitments – Australia

	Consolidated Group	
	2014	2013
	\$	\$
Within one year	479,931	-
After one year but not more than five years	347,116	624,262
More than five years	-	-
	<u>827,047</u>	<u>624,262</u>

The Group has expenditure obligations with respect to mineral tenements and minimum expenditure requirements on mineral tenements that have not been recognised as a liability or payable in the financial statements.

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Government Departments governing mineral exploration in each jurisdiction or state of Australia. The minimum commitment expenditures attached to the tenements are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

If the consolidated entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

These are necessary in order to maintain the tenements in which the Company and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Western Australia, South Australia and the Northern Territory.

#### (ii) Operating lease commitments

	Consolidated Group	
	2014	2013
	\$	\$
Within one year	89,665	90,509
After one year but not more than five years	72,546	149,280
	<u>162,211</u>	<u>239,789</u>

The Company has a commercial lease on its corporate office premise in Perth. This is a non-cancellable lease expiring on 31 May 2016. The Company also has a commercial non-cancellable lease expiring on 31 December 2014 on its corporate office premise in Adelaide. The amount for these leases has not been recognised as liability or payable in the financial statements.

#### (iii) Bonds

At 30 June 2014 the Group has outstanding \$77,754 (2013: \$77,754) as a current bond provided by the Company's bank for mineral tenements.

#### (iv) Bank guarantee

At 30 June 2014 the Group has outstanding \$20,000 (2013: \$20,000) as a current guarantee provided by the Company's bank for corporate office lease. The Company has an available limit of bank guarantee facility of \$222,246 and currently this facility has not been utilised by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 21. INTEREST IN JOINT VENTURES

The Group has entered into joint venture agreements with third parties in Australia, whereby the Group can earn an interest in exploration areas by expending specified amounts in the exploration areas.

The Group's previous interest and changes to its interest is noted below:

### Aldershot Joint Venture

The Aldershot Joint Venture is between the Company and Aldershot Resources Ltd, a TSX Venture Exchange listed company. The purpose of the joint venture is to explore, evaluate and mine uranium on 3 tenements located in the Northern Territory controlled by Aldershot Resources Ltd. Under the terms and conditions of the joint venture agreement, the Company has earned a 76% interest in the tenements.

On 6 November 2013, the Company entered into an agreement with Aldershot Resources Ltd (Aldershot), (a TSX Venture Exchange listed company) to:

- (i) acquire Aldershot's remaining 24% participating interest in the joint venture tenements for \$79,440; and
- (ii) to terminate the Joint Venture Heads of Agreement.

## 22. PARENT ENTITY

	2014 \$	2013 \$
Financial Position		
Assets		
Current assets	3,763,799	4,313,553
Non-current assets	32,339,040	30,644,916
Total assets	36,102,839	34,958,469
Liabilities		
Current liabilities	(282,868)	(617,226)
Non-current liabilities	(730,389)	-
Net Assets	35,089,582	34,341,243
Equity		
Issued capital	44,325,920	44,325,919
Accumulated losses	(16,865,635)	(17,426,950)
Reserves		
Listed option reserve	1,007,941	1,007,941
Share based payments reserve	6,621,356	6,434,333
Total equity	35,089,582	34,341,243
Financial Performance		
Profit/(loss) for the year after income tax	561,315	(3,004,927)
Total comprehensive income/(loss)	561,315	(3,004,927)
Mineral tenement expenditure commitments		
Within one year	210	-
After one year but not more than five years	242,116	202,551
More than five years	-	-
	242,326	202,551

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### 23. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2014 financial statements.

#### Issue of employee share options

On 14 July 2014 the Company issued 1,500,000 options to eligible employees under the employee share option plan. The options have an exercise price of 7 cents each and have an expiry date of 1 July 2017. The options were granted at no cost and carry no dividend or voting rights. The options are not quoted on the Australian Securities Exchange Ltd.

#### Share Purchase Plan for Shareholders

On 8 September 2014 the Company resolved to proceed with a Share Purchase Plan to raise up to \$4.183 million by offering fully paid ordinary shares in the Company to eligible shareholders. The funds raised will be used to advance the Company's Razorback Premium Iron Project in South Australia.

#### Variation Deeds with Mintech Resources Pty Ltd and Goldus Pty Ltd

Details of the Variation Deeds entered into on 4 July 2014 are disclosed in Note 28.

### 24. AUDITOR'S REMUNERATION

Audit and review of the financial report of the consolidated entity<sup>1</sup>

Consolidated Group	
2014	2013
\$	\$
26,626	64,129
26,626	62,129

Note:

- 1 The above fee for 30 June 2014 includes the reversal of \$14,374 which was the over accrual of provision of audit fee for 30 June 2013.

### 25. DIRECTORS AND EXECUTIVE DISCLOSURES

#### (a) Details of directors and key management personnel

##### Directors

P G Crabb	Chairman	(Non-Executive)
M F Flis	Managing director	(Executive)
F DeMarte	Director	(Executive)
M J Randall	Director	(Non-Executive)

##### Executive

T Heslop <sup>1</sup>	Company Secretary & Chief Financial Officer
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Note 1: T J Heslop's employment ceased on 22 August 2013.

(b) Compensation for directors and key management personnel	Consolidated Group	
	2014	2013
	\$	\$
Short term employee benefits	838,847	840,373
Annual leave provision	(46,817)	25,273
Post employment benefits	65,598	81,193
Share based payments	159,294	216,065
Long service leave	-	-
Total compensation	1,016,922	1,162,904

#### (c) Loans to key management personnel

There were no loans to key management personnel during the year.

#### (d) Other transactions and balances with key management personnel and their related parties

Disclosures relating to other transactions and balances with key management personnel are included and set out in note 27.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 26. SHARE BASED PAYMENTS

Options are granted under the Company employee share option plan ("ESOP") which was approved by the shareholders on 28 November 2011. The ESOP is available to any person who is a director, or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company ("Eligible Person").

Subject to the rules set out in the ESOP and the listing rules, the Company (acting through the board) may offer options to any eligible person at such time and on such terms as the board considers appropriate.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The expense recognised in the income statement in relation to share-based payments during the financial year is disclosed in consolidated statement of comprehensive income.

The following table illustrates the number and weighted average exercise price of and movements in share options issued during the year:

	2014 Number	2014 WAEP \$	2013 Number	2013 WAEP \$
Outstanding at beginning of the year	31,795,000	0.27	26,255,000	0.31
Granted during the year	9,350,000	0.08	10,045,000	0.17
Exercised during the year	-	-	(100,000)	0.08
Expired/lapsed during the year	(5,345,000)	0.27	(4,405,000)	0.28
Outstanding at the end of the year	35,800,000	0.22	31,795,000	0.27
Exercisable at the end of the year	35,800,000		31,795,000	

### a) Issue of directors options

On 28 November 2013 approval was granted at annual general meeting to issue the directors of the Company with 6,500,000 options. The options have an exercise price of 10 cents each and have an expiry date of 31 October 2018. The options were granted at no cost and carry no dividend or voting rights. The options are not quoted on the Australian Securities Exchange Ltd.

### (b) Issue of employee options

During the financial year the Company granted below employee share options.

- ✿ On 15 July 2013, the Company granted 2,850,000 options with an exercise price of 4.9 cents each expiring on 1 July 2016;
- (i) the weighted average remaining contractual life for the options outstanding as at 30 June 2014 is 2.39 years (2013: 2.58 years);
- (ii) the weighted average exercise price for options outstanding at the end of the year was \$0.22 (2013: \$0.27);
- (iii) the weighted average exercise price of options granted during the year was \$0.08 (2013: \$0.17); and
- (iv) the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2014.

Number of options	6,500,000	2,850,000
Share Price at grant date	5.3 cents	3.5 cents
Option exercise price	10 cents	4.9 cents
Expiry date	31/10/18	1/07/16
Expected life of the	5 years	3 years
Vesting period (months)	-	-
Dividend yield (%)	-	-
Expected volatility (%)	93.3%	95%
Risk-free interest rate	3.47%	2.76%
Fair value of options	2.3 cents	1.3 cents
Vesting date	Grant date	Grant date

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

The following table lists the inputs to the model used for the year ended 30 June 2013.

Number of options	6,500,000	2,545,000	500,000	500,000
Share Price at grant date	7.5 cents	15 cents	13 cents	4.6 cents
Option exercise price	16 cents	22.5 cents	19 cents	7.5 cents
Expiry date	27/11/17	9/07/15	29/07/15	25/03/16
Expected life of the	5 years	3 years	3 years	3 years
Vesting period (months)	-	-	-	-
Dividend yield (%)	-	-	-	-
Expected volatility (%)	77%	90%	90%	91%
Risk-free interest rate (%)	2.86%	2.33%	2.58%	3%
Fair value of options	2.5 cents	5.1 cents	4.5 cents	1.6 cents
Vesting date	Grant Date	Grant date	Grant Date	Grant date

## 27. RELATED PARTY DISCLOSURES

Amounts paid and payable to Thundelarra Limited, in which P G Crabb, F DeMarte, M J Randall are directors and shareholders, in the normal course of business in 2013/2014 for office rentals, administration and employee services totalled \$735 (2013: \$174,165) and the balance included in trade creditors is \$Nil (2013: \$500). Amounts received and receivable from Thundelarra Limited in the normal course of business totalled \$3,654 (2013: \$68,790).

Amounts received and receivable from a company, in which Mr Philip Crabb is a director and shareholder, in the normal course of business in 2014 for employee services totalled \$Nil (2013: \$8,619).

A loan of \$55,000 was made to Aldershot Resources Ltd in which P G Crabb and M F Flis are directors and shareholders in this financial year. This amount is part of a loan agreement that has been entered with this company. A total of \$221,562 of the loan was repaid by Aldershot Resources Ltd to the Company in June 2014. This amount includes \$34,230 of interest received on the loan. Costs incurred in the normal course of business for exploration expenditure in relation to a farm-in joint venture with Aldershot Resources Ltd for period 1 July 2013 to 5 November 2013 totalled \$86,460 (2013: \$141,900). On 6 November 2013 Royal Resources Limited acquired Aldershot Resources Ltd's remaining 24% interest in the joint venture tenements for a purchase price of \$79,440. This amount was offset against the loan advanced to Aldershot Resources Ltd. Amounts paid and payable to Aldershot Resources Ltd in the normal course of business totalled \$79,690 (2013: \$1,375) and the balance included in trade creditors \$Nil (2013: \$Nil). Amounts received and receivable from Aldershot Resources Ltd in the normal course of business totalling \$1,479 (2013: \$10,423) and the balance included in trade and other receivables \$101 (2013: \$183).

Loans advanced to subsidiary, Razorback Iron Pty Ltd total \$23,377,431 (2013: \$23,308,599) at 30 June 2014.

Loans advanced to subsidiary, Razorback Operations Pty Ltd total \$1,211 (2013: \$677) at 30 June 2014.

Loans advanced to subsidiary, Red Dragon Mining Pty Ltd total \$1,064 (2013: \$828) at 30 June 2014.

Loans advanced to subsidiary, Ironback Pty Ltd total \$1,593,017 (2013: \$Nil) at 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 28. CONTINGENT LIABILITIES



As at 30 June 2014, the Company has no outstanding commitments or contingencies, which are not disclosed in Note 20 other than the early resolution tenement payments payable by Royal to complete the acquisition of the Red Dragon Venture tenements, host to the Razorback Premium Iron Project pursuant to Variation Deeds with Mintech Resources Pty Ltd (Mintech) and Goldus Pty Ltd (Goldus) dated 19 December 2013 and 4 July 2014 are as follows:

### Mintech Resources Pty Ltd

- (i) \$1.1 million cash payable by 3 November 2014 at Completion;
- (ii) \$2.25 million will be issued as convertible notes in Royal by 3 November 2014. The convertible notes have a 48 month term (maturity date) extendable by two periods of 12 months each by Royal on payment of \$250,000 cash and are convertible to either shares, cash or a combination of cash and shares, at Royal's discretion;
- (iii) Interest of \$750,000 is payable on the convertible notes on or before the maturity date in either cash or shares at Royal's discretion;
- (iv) A 1.25% royalty on net earnings is payable from product produced from EL5432 (formerly known as EL4267); and
- (v) \$550,000 cash on the announcement of a BFS by Royal; and
- (vi) A production payment of \$2 million cash is payable on the first commercial shipment of iron concentrate from EL5432.

### Goldus Pty Ltd

- (i) \$1.5 million is payable at Completion;
- (ii) A 1.25% royalty on net earnings is payable from product produced from EL5180 and EL5240; and
- (iii) A production payment of \$3 million cash is payable on the first commercial shipment of iron concentrate from EL5180 and EL5240.

Completion means 10 business days after Royal has undertaken a capital raising to raise at least \$4 million, or such lesser amount as agreed by the parties.

If the Variation Deeds are terminated for any reason:

- a) the amounts paid by Royal to Mintech, as at the termination date, will be credited against the BFS amount at a rate of 3 times the existing payments (as originally defined in the Tenement Sale Agreement); and
- b) the amounts paid by Royal to Goldus, as at the termination date, will be credited against the Purchase Price at a rate of 3 times the existing payments (as originally defined in the Option Deed).

No other amounts have been booked at 30 June 2014 as they are considered to be contingent liabilities at 30 June 2014.

Prior to signing the Variation Deed on 19 December 2013 and 4 July 2014, the Company had the following contingent liabilities:

- (i) \$20 million was payable to Mintech at the completion of bankable feasibility study; and
- (ii) \$10 million was payable to Goldus if the option to purchase EL5180 & EL5240 was exercised



### Spring Dam Station

In accordance with a Deed dated 18 September 2013, the Company has agreed to pay the sum of \$25,000 to the owners of several Crown Leases known as Spring Dam Station on or before 18 September 2014 to enable the Company to conduct exploration and evaluation activities subject to the terms and conditions of the Deed.

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Royal Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with accounting standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial report also complies with International Financial Reporting Standards as described in note 2(a).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the board



Marcus F Flis  
MANAGING DIRECTOR

19 September 2014

Perth, Western Australia

# INDEPENDANT AUDIT REPORT TO THE MEMBERS

Stantons International Audit and Consulting Pty Ltd  
Trading as

**Stantons International**  
Chartered Accountants and Consultants

P.O. Box 1908  
West Perth WA 6872  
Australia

Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia

Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204

ABN: 84 144 581 519  
www.stantons.com.au

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Royal Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Stantons International

#### *Independence*

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

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Royal Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2(a).

### Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 29 of the directors' report for the year ended 30 June 2014. 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 Royal Resources Limited for the year ended 30 June 2014 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



**Martin Michalik**  
Director

West Perth, Western Australia  
19 September 2014



# AUDITOR'S INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd  
trading as  
**Stantons International**  
Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia  
  
Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia  
  
Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204  
  
ABN: 84 144 581 519  
www.stantons.com.au

19 September 2014

Board of Directors  
Royal Resources Limited  
Unit 4, Level 1  
28 Kintail Road  
Applecross WA 6153

Dear Directors

**RE: ROYAL RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Royal Resources Limited.

As Audit Director for the audit of the financial statements of Royal Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**Martin Michalik**  
Director

# ASX ADDITIONAL INFORMATION

The following information dated 19 September 2014 is required by the Listing Rules of the ASX Limited.

## 1. DISTRIBUTION AND NUMBER OF HOLDER OF EQUITY SECURITIES

The number of holders, by size of holding, in each class of security are:

	Fully paid ordinary shares
1 – 1,000	475
1,001 – 5,000	590
5,001 – 10,000	277
10,001 – 100,000	854
100,001 and over	353
<b>Totals</b>	<b>2,549</b>
Holding less than a marketable parcel	1,484

## 2. TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

### (a) Ordinary Shares

Holder	Shares Held Number	%
COFFEE HOUSE GROUP LIMITED	78,476,509	22.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,398,284	7.86
RAGGED RANGE MINING PTY LTD & ASSOCIATES	25,076,164	7.19
CITICORP NOMINEES PTY LIMITED	15,438,636	4.43
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	11,000,000	3.16
MR RICK WAYNE CRABB	4,919,362	1.41
NORILSK NICKEL AUSTRALIA PTY LTD	4,550,000	1.31
FORSYTH BARR CUSTODIANS LTD	3,713,395	1.07
MR FRANK DEMARTE	3,688,135	1.06
MR MICHAEL ERNEST GRANATA	3,000,000	0.86
THUNDELARRA EXPLORATION LTD	2,872,265	0.82
MR EDWIN LEIGH DAVIES + MRS SUSAN LINDA DAVIES	2,782,084	0.80
CHIN NOMINEES PTY LTD	2,742,267	0.79
MR WILLIAM JANSEN + MRS MARILYN GAIL JANSEN	2,600,000	0.75
MR DAVID HARPER	2,500,000	0.72
UOB KAY HIAN PRIVATE LIMITED	2,420,555	0.69
MR CHING WOO GOH	2,413,716	0.69
WESTESSA HOLDINGS PTY LTD	2,229,858	0.64
MR ROSS MALCOLM SPENCER + MR CLINTON LEON SPENCER	2,146,000	0.62
MR MARCUS FLIS	2,000,032	0.57
<b>Total</b>	<b>201,967,262</b>	<b>57.93</b>

# ASX ADDITIONAL INFORMATION

## 3. SUBSTANTIAL SHAREHOLDERS

An extract from the Company's register of substantial shareholders is set out below:

Name	Number of Shares Held	%
COFFEE HOUSE GROUP LIMITED	78,476,509	22.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,398,284	7.86
RAGGED RANGE MINING PTY LTD & ASSOCIATES	25,076,164	7.19

## 4. VOTING RIGHTS

The Company's share capital is of one class with the following voting rights:

### (a) Ordinary Shares

On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### (b) Options

The Company's options have no voting rights.

## 5. STOCK EXCHANGE LISTING

Royal Resources Limited ordinary shares are listed on all member exchanges of the ASX Limited.

The home exchange is the ASX Limited.

## 6. RESTRICTED SECURITIES

There are no ordinary shares on issue that have been classified by the ASX Limited, Perth as restricted securities.

## 7. SCHEDULE OF TENEMENTS

Tenement Name	Location	Tenement Number and Type	Holder/ Application	Share Held	Status
Amangal	NT	EL27354	ROY	100	Granted 2/12/09
Cooper Hill*	SA	EL5340	ROY	100	Granted 8/10/13
George	NT	EL24550	ROY	100	Granted 12/12/05
Railway***	NT	ELA30074	ROY	100	Pending (applied 20/8/13)
Razorback	SA	EL5180	ROY	0	Granted 17/09/12
			GDS	100	ROY iron option
Razorback	SA	EL5240	ROY	0	Granted 10/12/12
			GDS	100	ROY iron option
Razorback**	SA	EL5432	ROY	100	Granted 22/06/14
Razorback	SA	EL4811	ROY	100	Granted 1/12/11
Victory Dam*	SA	EL5441	ROY	100	Granted 8/07/14
Waterhouse West	NT	EL24563	ROY	100	Granted 18/01/07
Watertank	WA	P63/1361	ROY	100	Granted 6/08/07
Watertank	WA	P63/1362	ROY	100	Granted 6/08/07
Watertank	WA	P63/1363	ROY	100	Granted 6/08/07

### Disposed of during the reporting period

Djambdimba	NT	EL28701	ROY	100	Relinquished 28/10/13
Ngalia	NT	EL24571	ROY	100	Relinquished 15/11/13
Ooldea	SA	ELA2013/56	ROY	100	Dropped 8/04/14
Wild Dog Dam	SA	ELA2013/128	ROY	100	Dropped 17/12/13
Yatjalu West	NT	EL28700	ROY	100	Relinquished 28/10/13

\* Exploration licence acquired during reporting period, formerly an ELA.

\*\* Exploration licence number changed due to regulatory licencing conditions during the reporting period.

\*\*\* Exploration licence application acquired during reporting period.

### Key to Tenement Type

EL	=	Exploration Licence
ELA	=	Exploration Licence Application
P	=	Prospecting Licence

### Key to Holders

GDS	=	Goldus Pty Ltd
ROY	=	Royal Resources Limited

### Location

SA	–	South Australia
WA	–	Western Australia
NT	–	Northern Territory