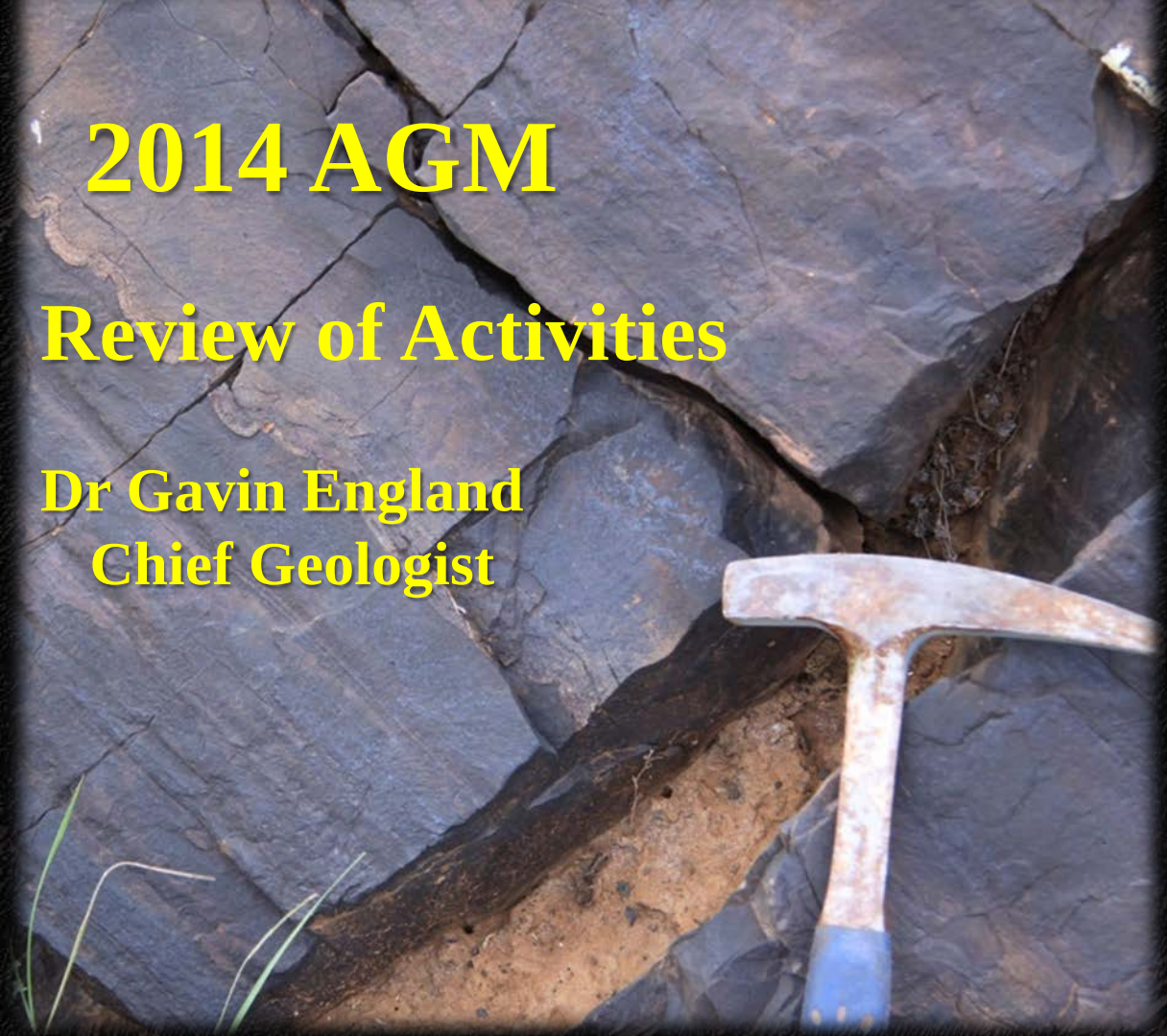

# 2014 AGM

## Review of Activities

Dr Gavin England
Chief Geologist

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28 Nov 2014

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*The details contained in this report that pertain to ore and mineralisation are based upon information compiled by Dr Gavin England, a full-time employee of the Company. Dr England is a Member of of the Australasian Institute of Geosciences (AIG) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Dr England consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears. 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 JOPRC Code 2012 on the basis that the information has not materially changed since it was last reported.*

*In relation to the changes as a result of the independent review of the PFS which has resulted in an increase in the Net Present Value (NPV) of the project to over $2,210M with an annual EBITDA of $340M and an increase in production from 8.2Mtpa to 9.3Mtpa, as required under the JORC Code 2012, it must be 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.*

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# Review of Activities

- Razorback and Red Dragon
  - PFS Optimisation
  - Mining Lease Application
  - Exploration
- Razorback new direction

# **Optimised Case:** Large, low cost, premium grade magnetite

- Long-life operation (+25 years) backed by **2.7 Billion tonne** Mineral Resource[2]
- 9.3 Mtpa **67.4% Fe** magnetite concentrate production[1]
- US$1,029 Million CAPEX, sub US$59/t C3 OPEX estimates
- **US$2,210 Million NPV, 30% IRR** with an average **EBITDA of US$340 Million**[1,3]
- Braemar Infrastructure to provide all transport and utilities infrastructure

[1]Announced 27/11/13. The production target, or the forecast financial information derived from it, continue to apply and have not materially changed. [2]The Mineral Resource information for the project was prepared and first disclosed under the JORC Code 2004. The information has not been updated to comply with the JORC Code 2012 as the information has not materially changed since it was reported.[3] 62% Fe Fines price of US$87 / tonne and US$1 equates to Aus$0.80.

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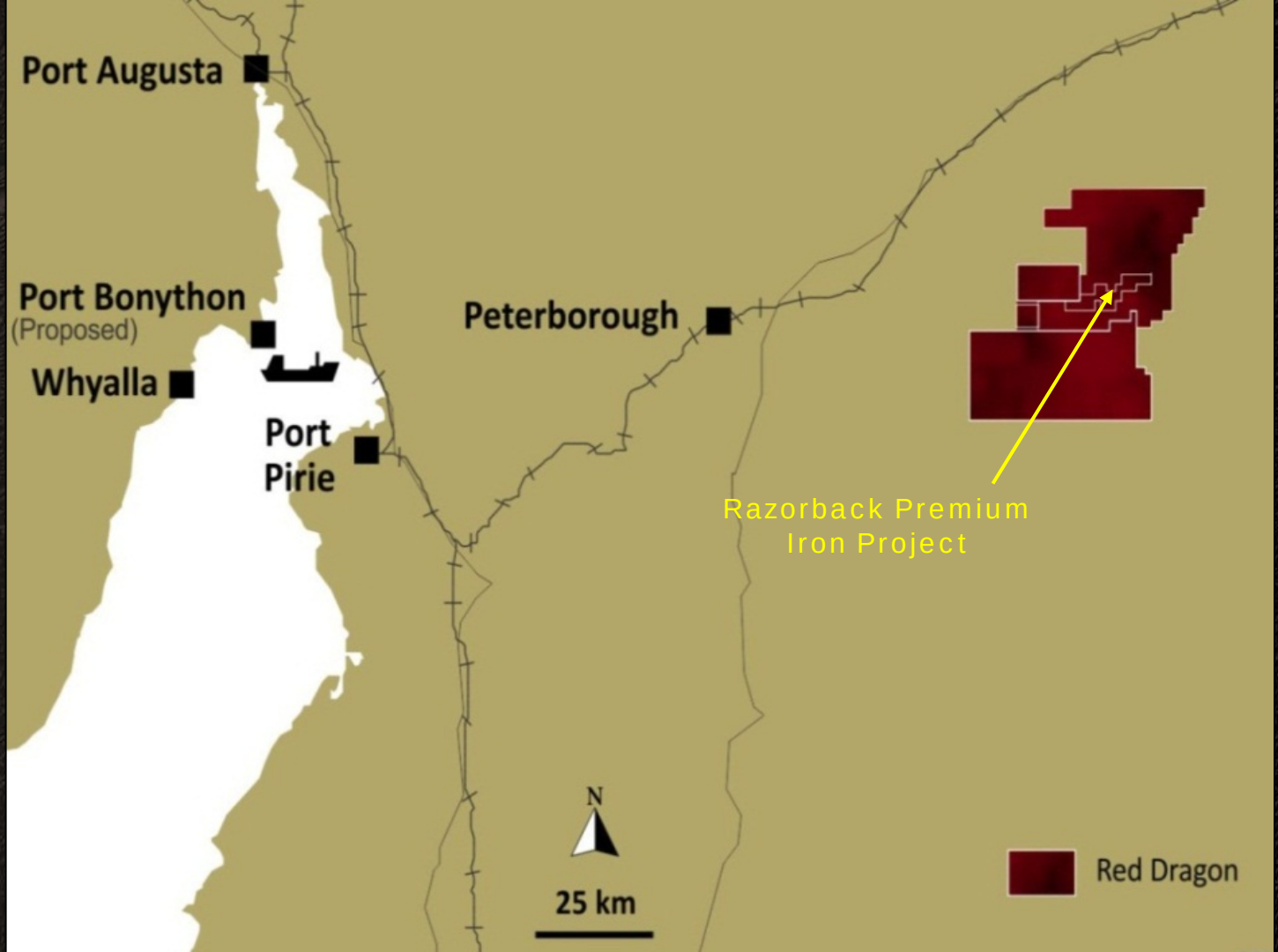

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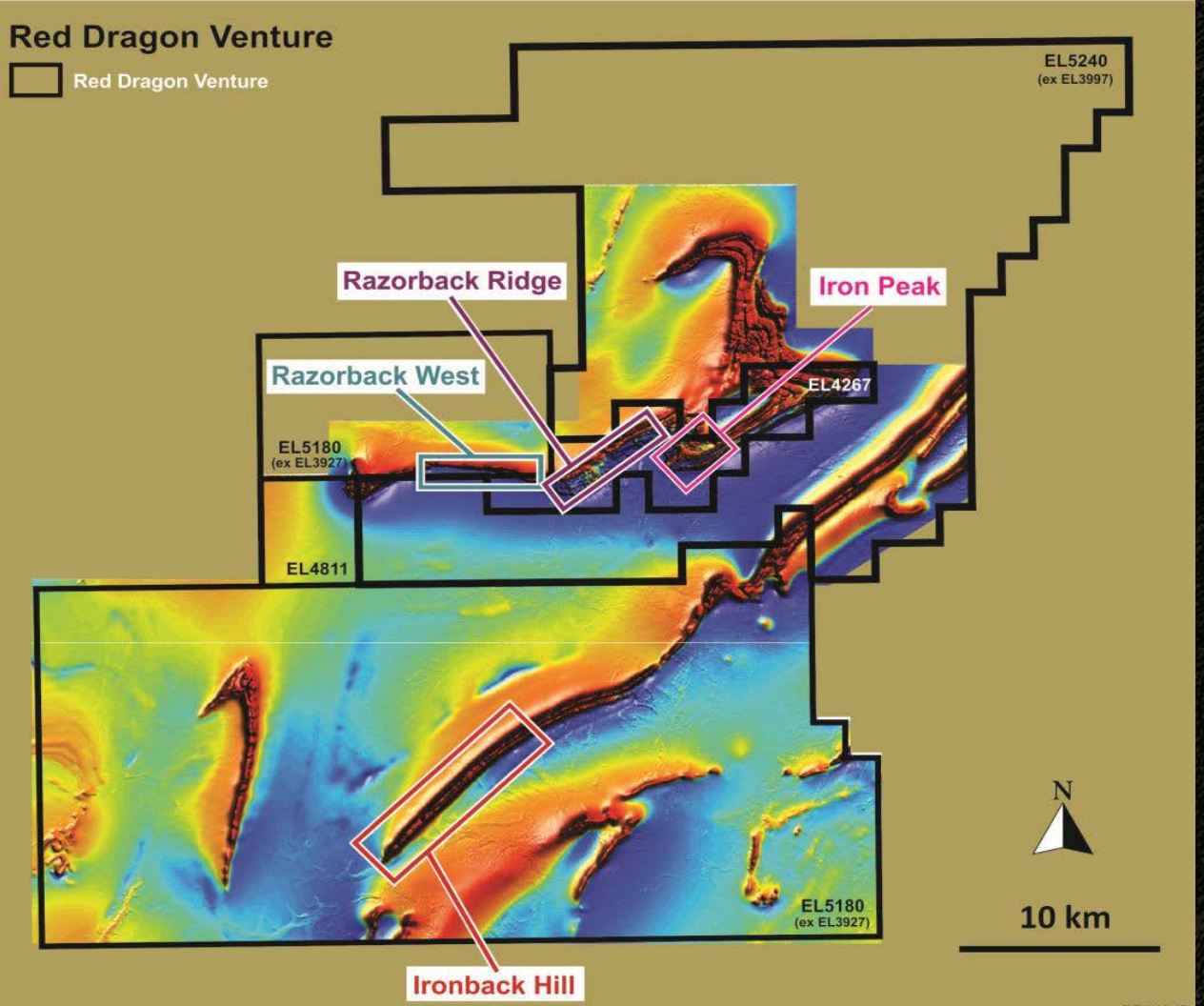
# Red Dragon Venture

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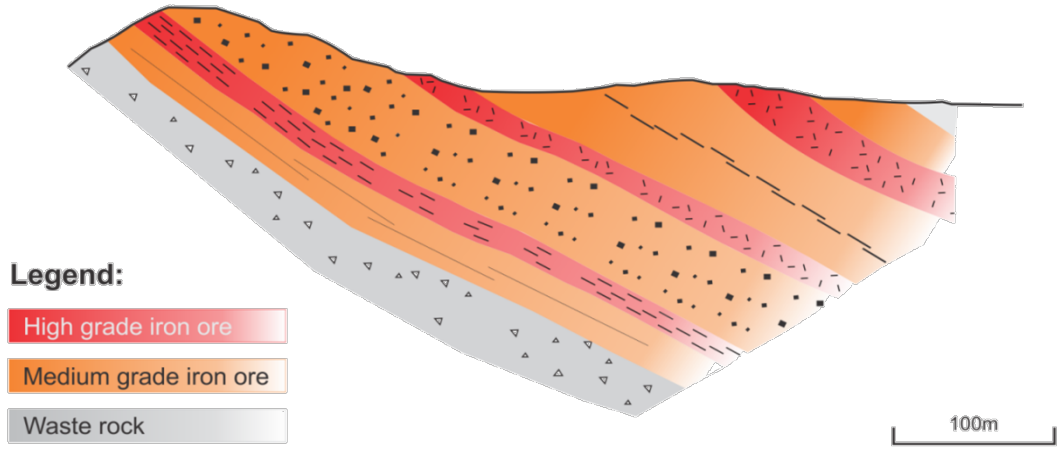
# Razorback History: Progress achieved to date

- 1969- SA Dept Mines Study, drilled and installed the Adit (Whitten)
- November 2009 - Deal signed for Royal to purchase Razorback
- April 2010 – First drilling at Razorback
- August 2010 – Maiden Resource at Razorback of 273 Mt
- July 2011 – Second Resource at Razorback of 537 Mt
- October 2012 – Base Case Resource at Razorback of 1.8 Bt
- January 2013 – Base Case PFS completed
- June 2013 – Optimised Resource of 2.73 Bt - large improvement in stripping ratio
- November 2013 – Optimised PFS – large improvement in project economics
- November 2014 – Work commences on capacity expansion of the RPIP

# Razorback Project: Resource profile 2014

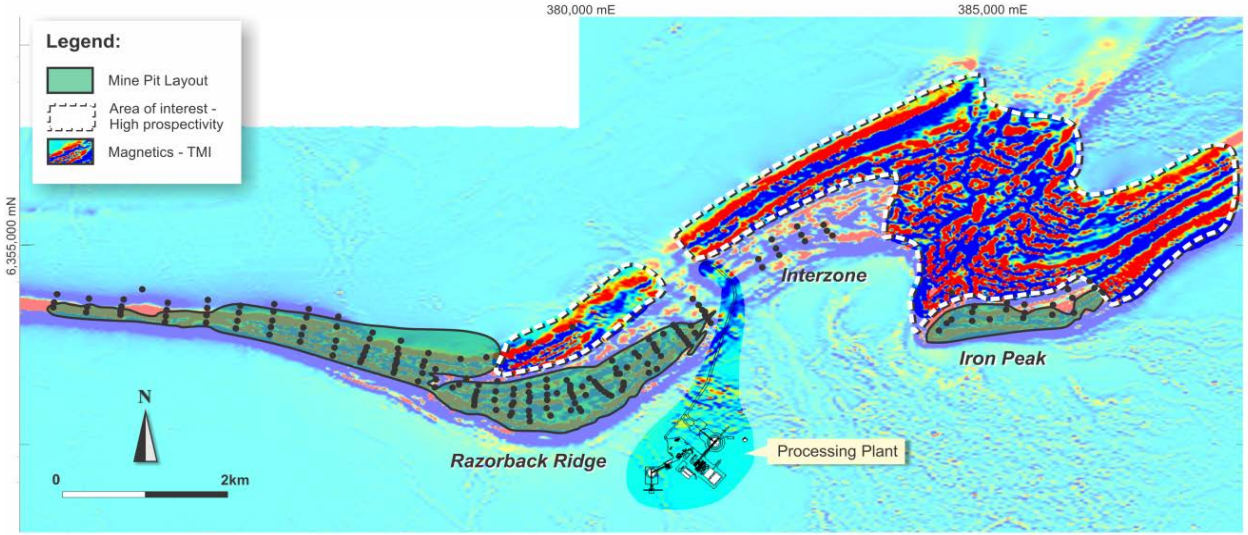



| Stratigraphic Units | Million Tonnes[1] | DTR% | Fe% | $SiO_2$% | $Al_2O_3$% | P% |
|---|---|---|---|---|---|---|
| Unit A, B1, B3, D, G | 1,783 | 16.2 | 19.8 | 46.9 | 7.7 | 0.19 |
| Low Grade - Unit B2, C and E | 949 | 13.5 | 15.2 | 50.3 | 8.7 | 0.15 |
| Total | 2,732 | 15.3 | 18.2 | 48.1 | 8.0 | 0.18 |
| **Magnetite Concentrate** | **424** | **100** | **67.4** | **4.74** | **0.54** | **0.016** |

*[1] Tonnages rounded to significant values. Total may not appear correct as a result. Reported under the 2004 JORC Code in announcement dated 11th June 2013 and there have been no material changes to the Mineral Resources since that announcement.*

# Razorback Project: Deposit geology

| Characteristics | Benefit to Project |
|---|---|
| Magnetite in metamorphic sediment, not hard BIF | **Softer ore for mining and crushing** |
| Simple layer cake geology | **Simple mine design** |
| Average 250 metres thick and 10km in length | **Very low stripping ratio** |
| Outcropping | **No pre-strip** |



# 2014 PFS Optimisation Outcomes

- Reduction in product transport costs, outsourcing infrastructure to BIPL
- Increased production rate to 9.3 Mtpa and improvement in recoveries[1]
- Reduction in mining costs through the significant reduction in the Strip Ratio and the use of In-Pit Crushers
- 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
- Review of PFS Optimisation by Oyster Consulting confirm a robust approach has been taken to maximising value of Razorback

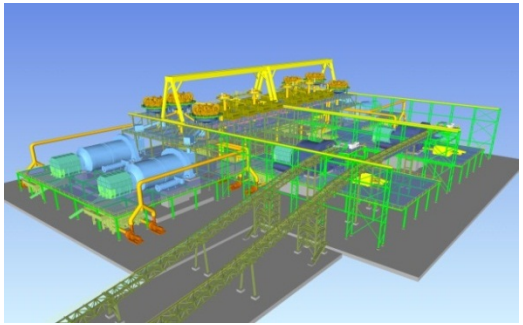
[1]Announced 27/11/13 and 3/04/14. The production target, or the forecast financial information derived from it, continue to apply and have not materially changed.

# **Razorback Project:** Open pit design with conventional processing

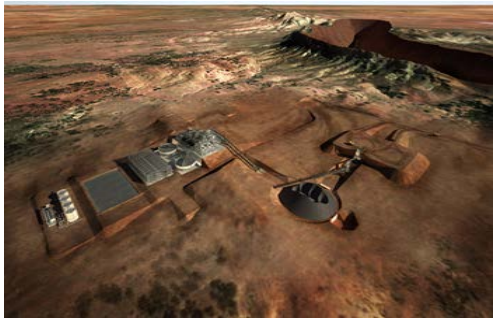
- Lower cost In-Pit Crushing and Conveying (IPCC)
- No pre-strip, low Life of Mine strip, long mine life +25 years
- 9.3 Mtpa production using two-module processing plant, each consisting of:
  - SAG Mill
  - Two Ball Mills, 45µm grind size
- Iron recovered via a 3 stage wet LIMS[1] all sea water processed

[1]Low intensity magnetic separators

Sino Iron Project in-pit crusher



Proposed RPIP processing plant



Proposed RPIP mine layout

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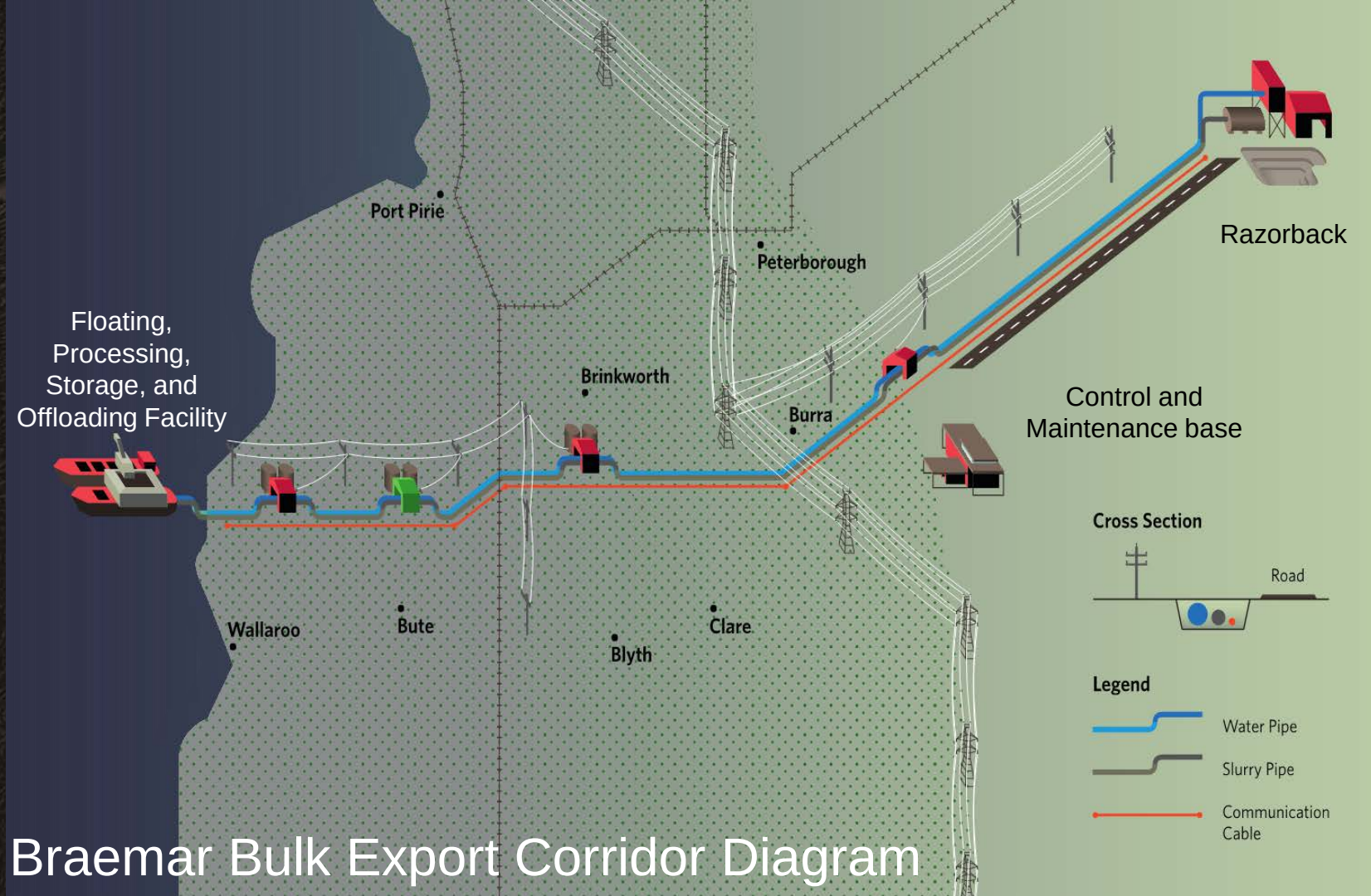


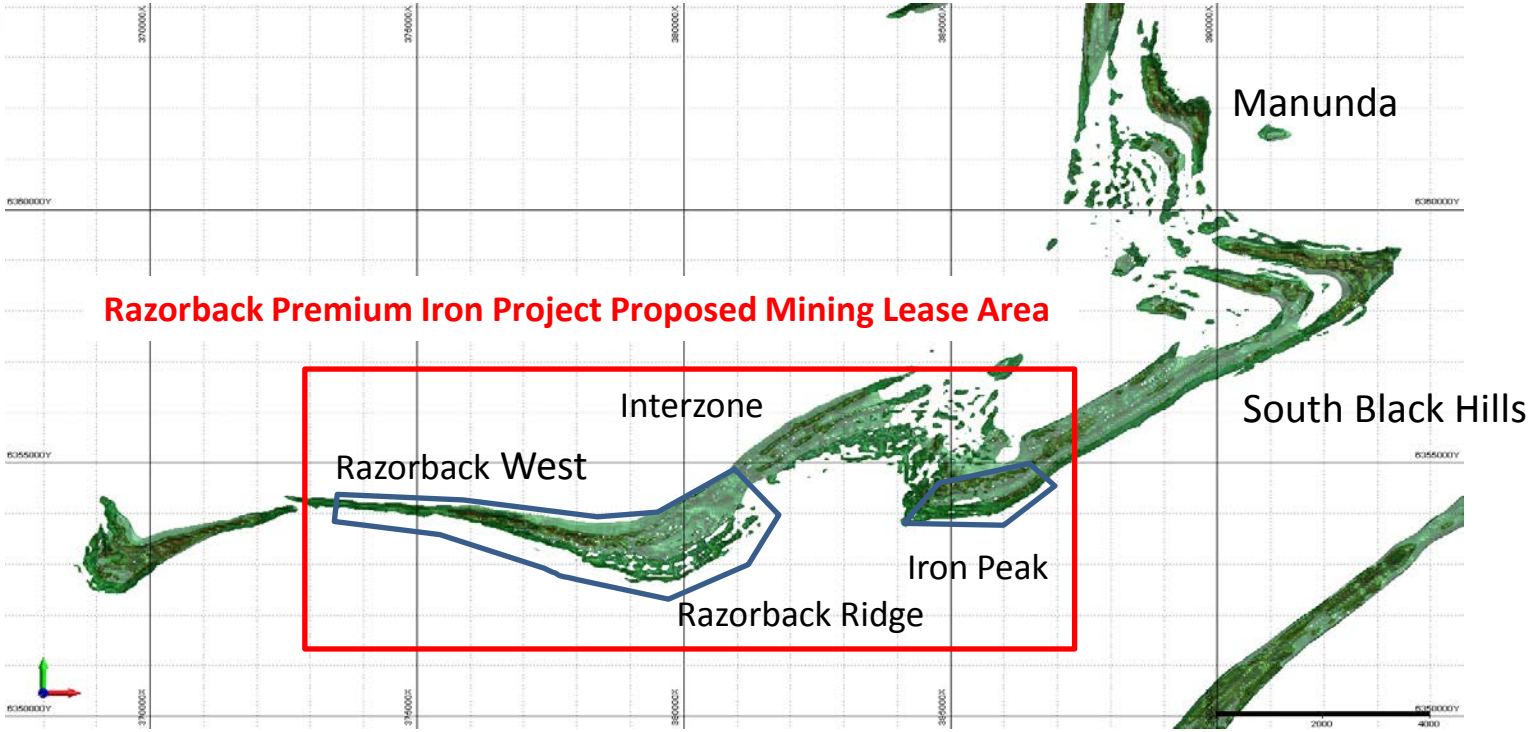

# Braemar Bulk Export Corridor Diagram

# **Razorback Premium Iron Project:** A new generation mine

| Common Issues* | Razorback Solution |
|---|---|
| Hard ore: excessive wear rate | Half the hardness and a third the abrasiveness of BIFs |
| Difficult tailings dewatering | Use of sea water obviates the need for full water recovery |
| Sticky ores | Simple mineralogy of Razorback ores, no clays or sulphides |
| Barging & wharf delays | RPIP product is slurried directly on to a floating stockpile |
| Dangerous fibres | None present |
| Use of local ground water | Use sea water - local water resources are untouched |
| Diesel and tyre dependent shovel and truck mining | In-pit Crushing and Conveying minimises soft tyred vehicle fleet and enhances safety |
| Multi-handling of product | Slurry pipeline eliminates multi-handling; reduced OPEX and CAPEX |
| Need for a Cape sized conventional port | Product is slurried directly onto a Cape size floating stockpile in deep water. No port required |

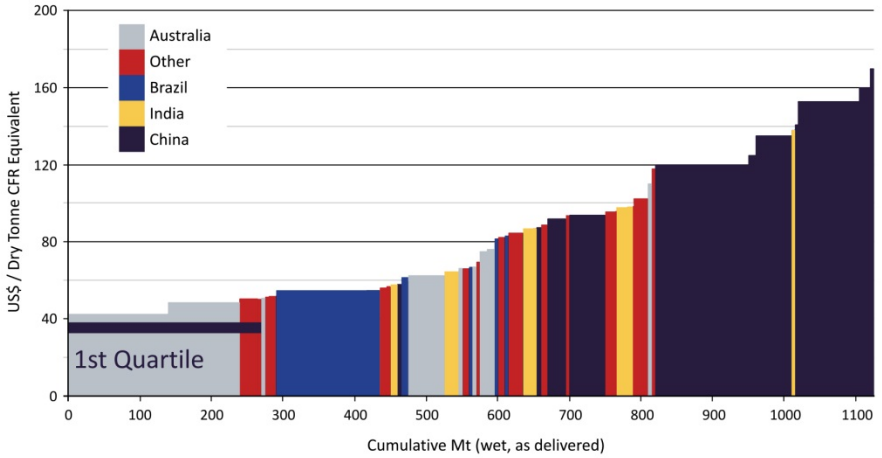
** Sino, Karara, Roper Bar mines, Cairn Hill*

# Mining Lease Application in progress



# Razorback Project Future Direction

- Pooling intellectual, physical and geological assets of Royal and the Loadstone Group, which will maximise the chances for the project to move forward to production
- Target an OPEX of between US$ 40 to 45, thus competing with the majors in the first quarter of the cost curve, thus ensuring survival even at the bottom of the commodity cycle

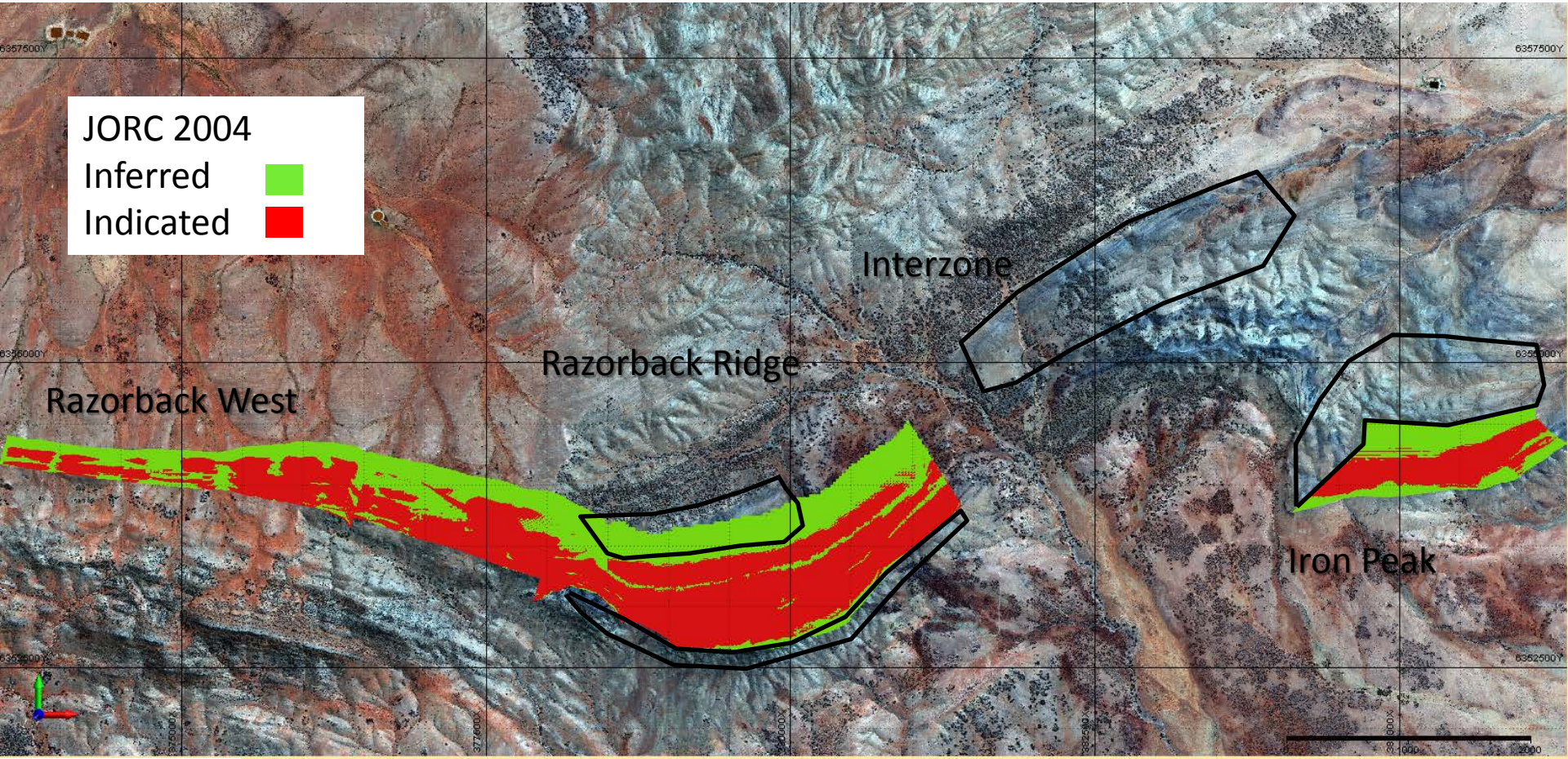


# Razorback Project Future Direction

- The first three areas being investigated to achieve the targeted OPEX :
  - Increase planned production to 20 to 25 Mtpa concentrate, fully utilising the slurry pipeline capacity and proving reduced OPEX through economy of scale
  - Integration of fully mobile In Pit Crushers and Conveyors which will greatly reduce mining CAPEX
  - Optimise the Resource to accommodate the above two requirements

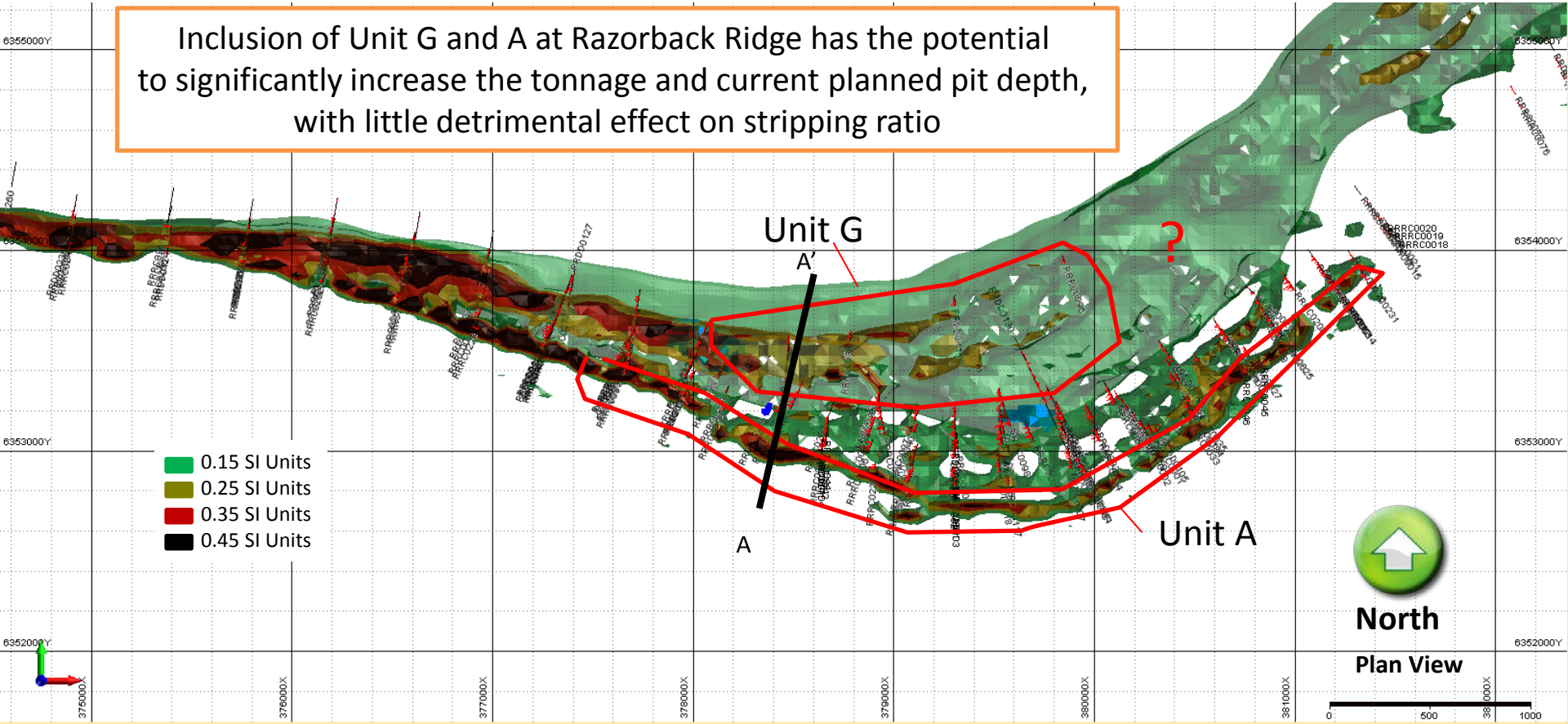

For illustration purposes only

# Potential Targets for Resource Increase

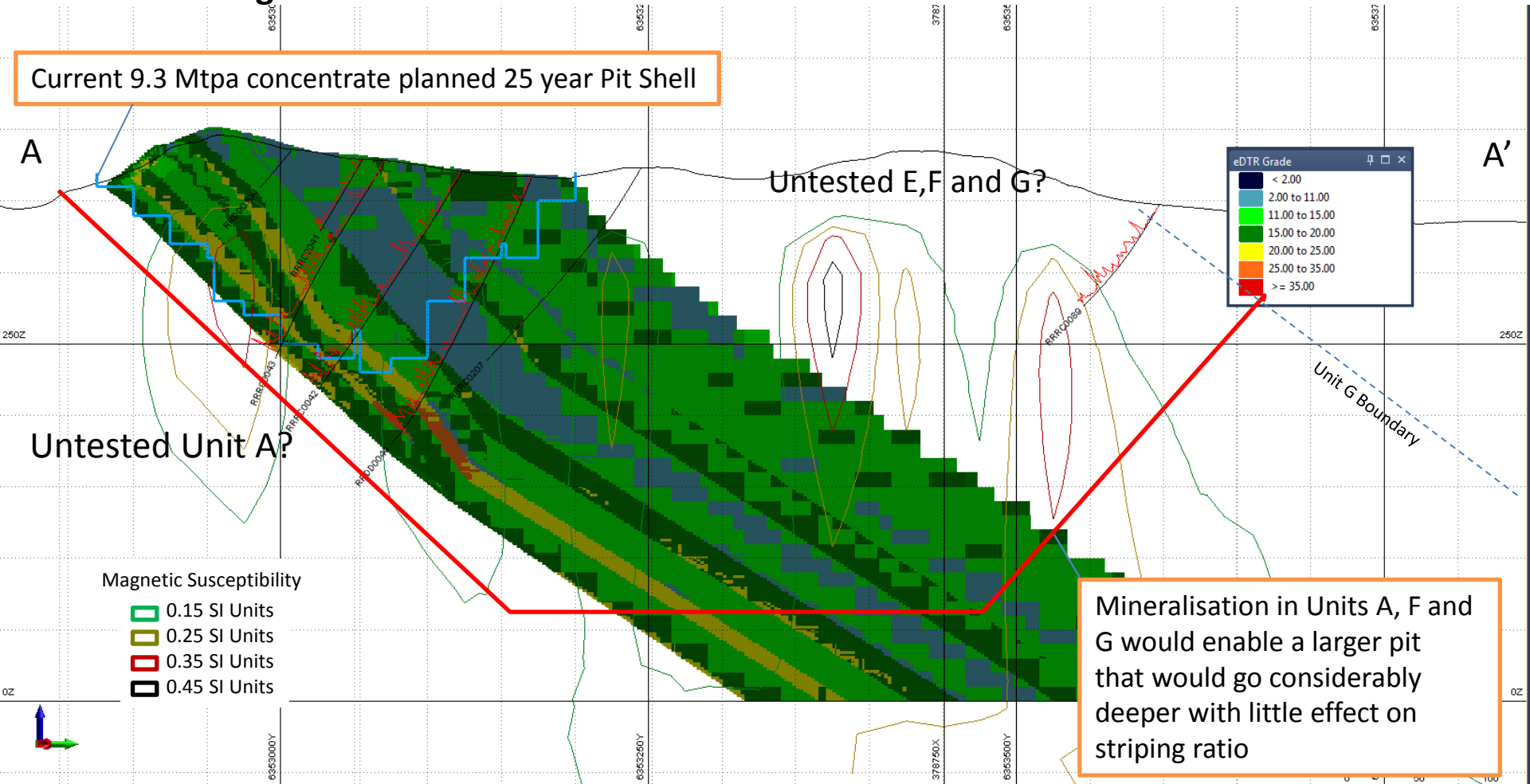


# Razorback Ridge additional tonnage target derived from 3D magnetic modelling

Inclusion of Unit G and A at Razorback Ridge has the potential to significantly increase the tonnage and current planned pit depth, with little detrimental effect on stripping ratio



# Razorback Ridge additional tonnage target derived from 3D Magnetic modelling – Cross Section showing current 2004 JORC Resource Blocks



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## Conventional Mine/Plant Interaction


## Fixed Location IPCC


# BREAKTHROUGH TECHNOLOGY

## Fully Mobile IPCC (Truckless Mining)

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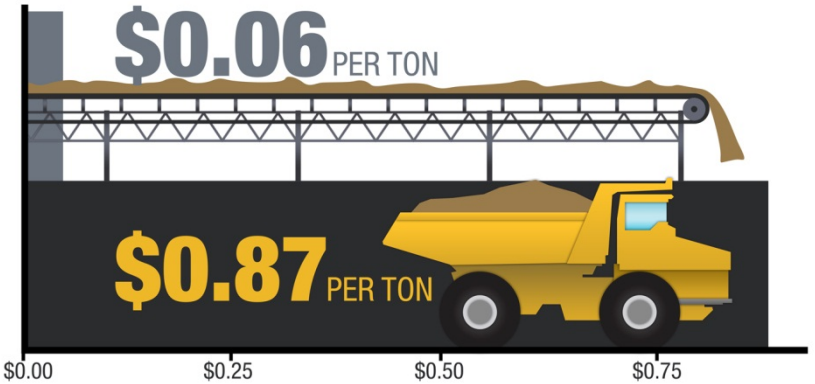
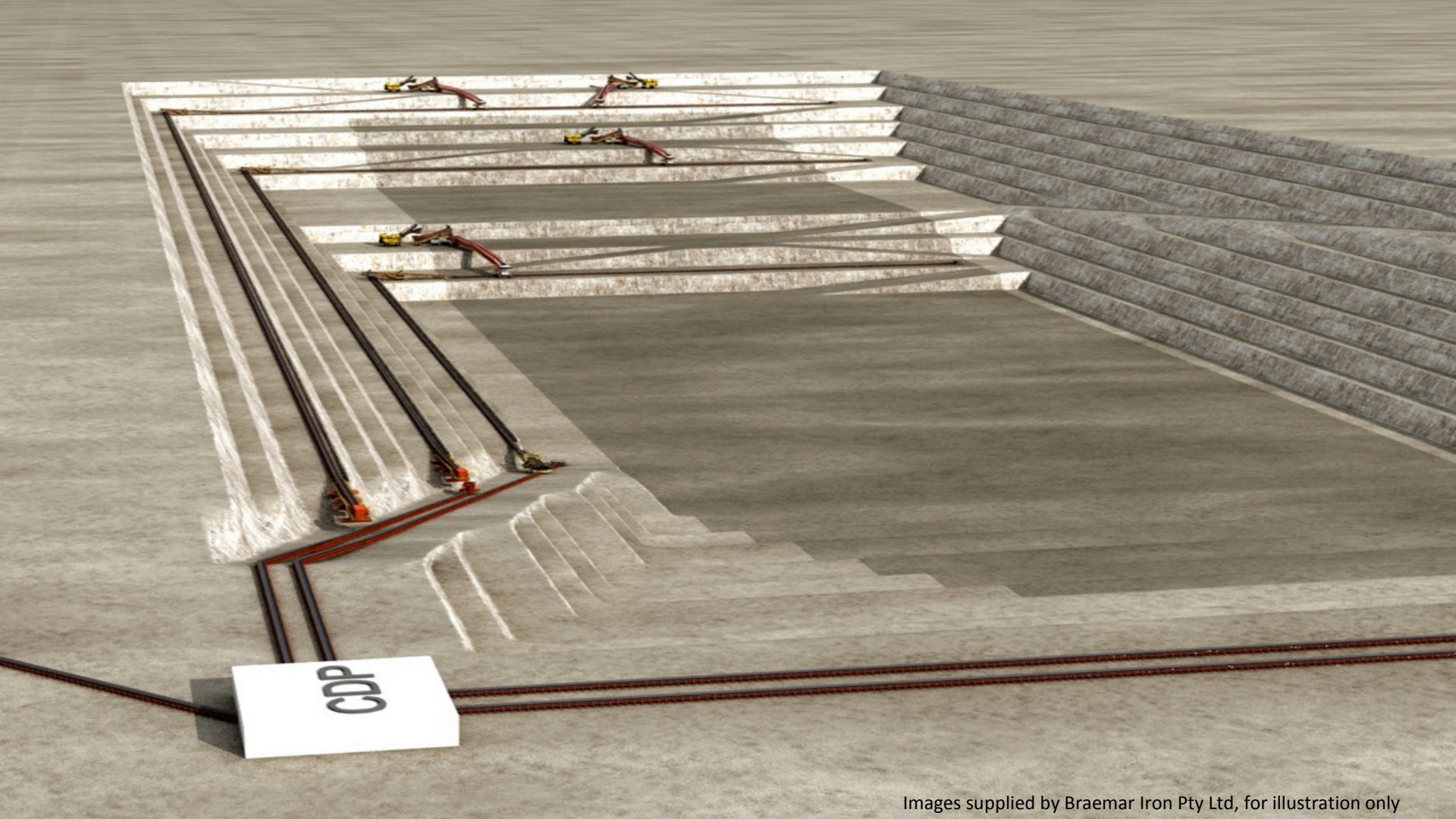
Paradigm shift

Considerable cost reduction when trucks are replaced by conveyors to transport material within the pit and to the ROM




Images supplied by Braemar Iron Pty Ltd, for illustration purposes only

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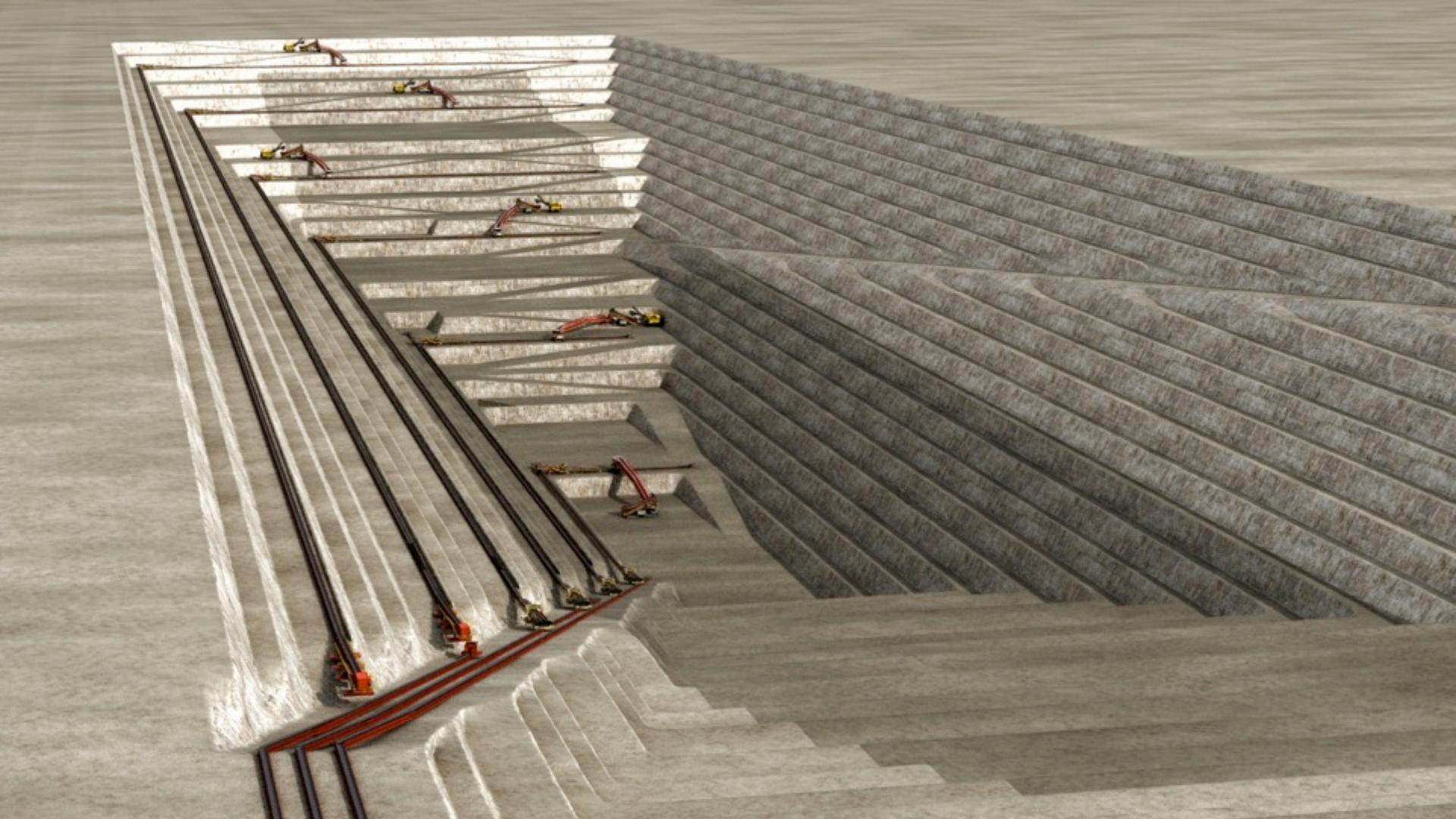
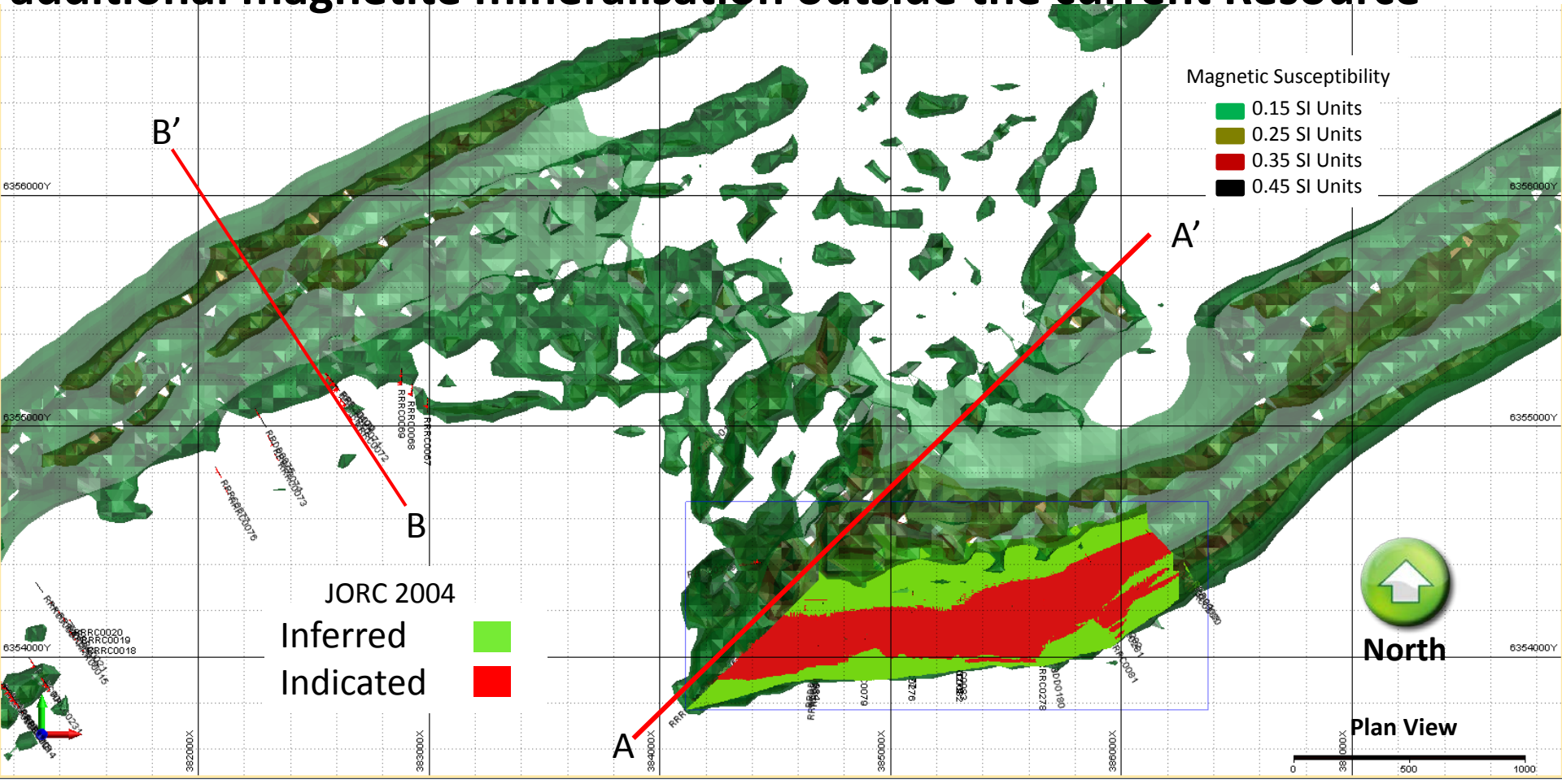


# Iron Peak and Interzone - 3D magnetic modelling depicting potential additional magnetite mineralisation outside the current Resource



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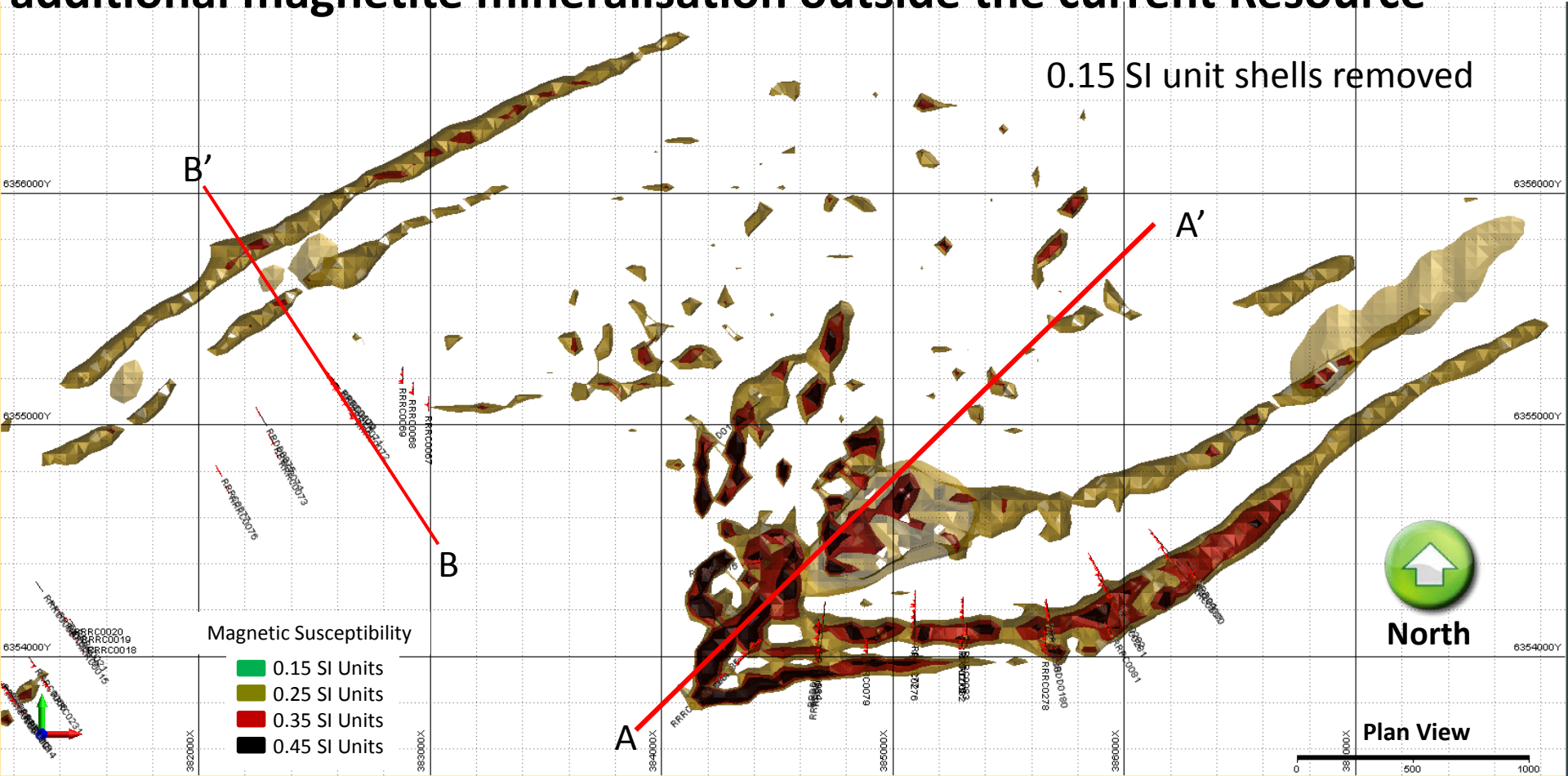
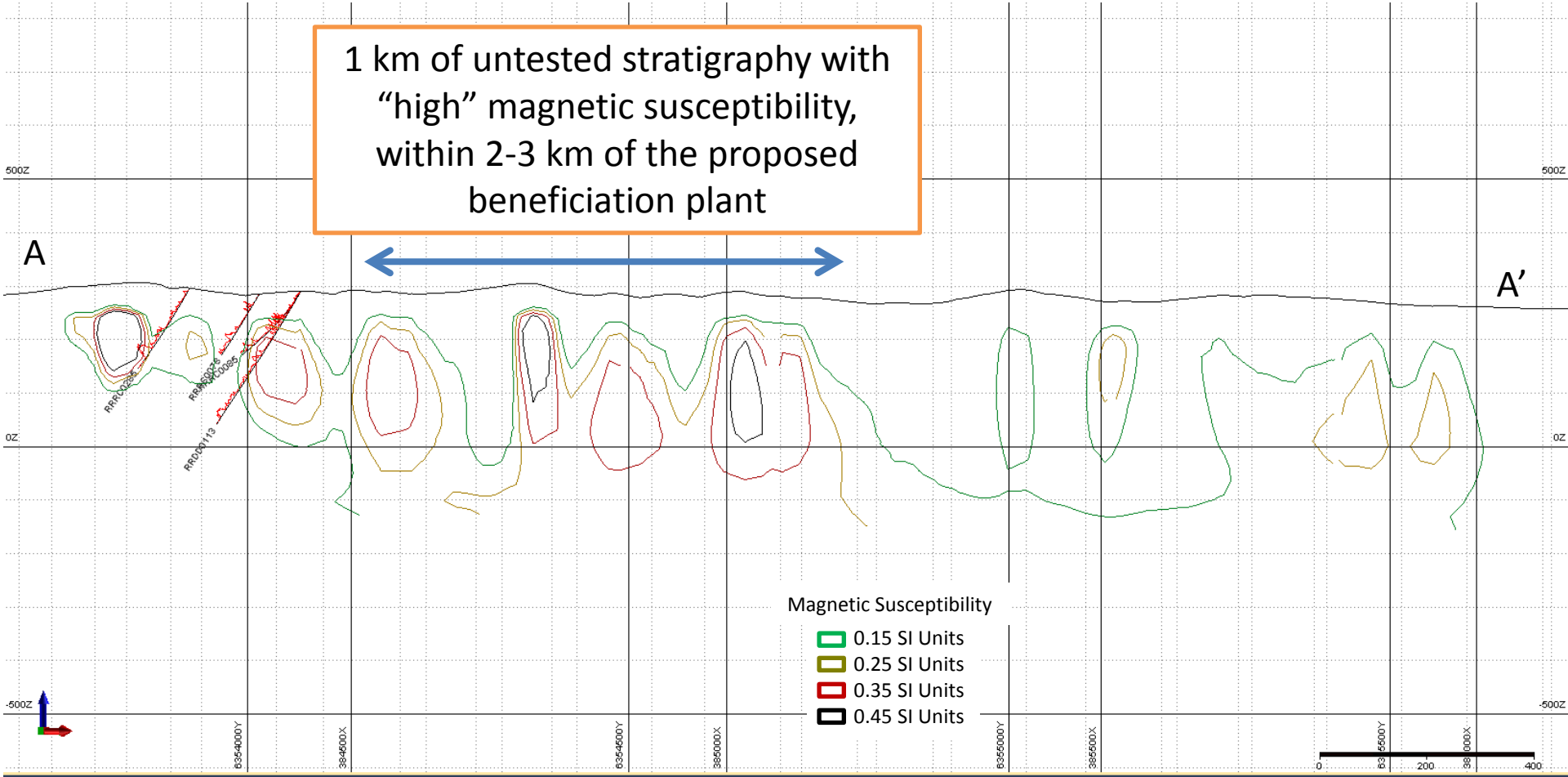
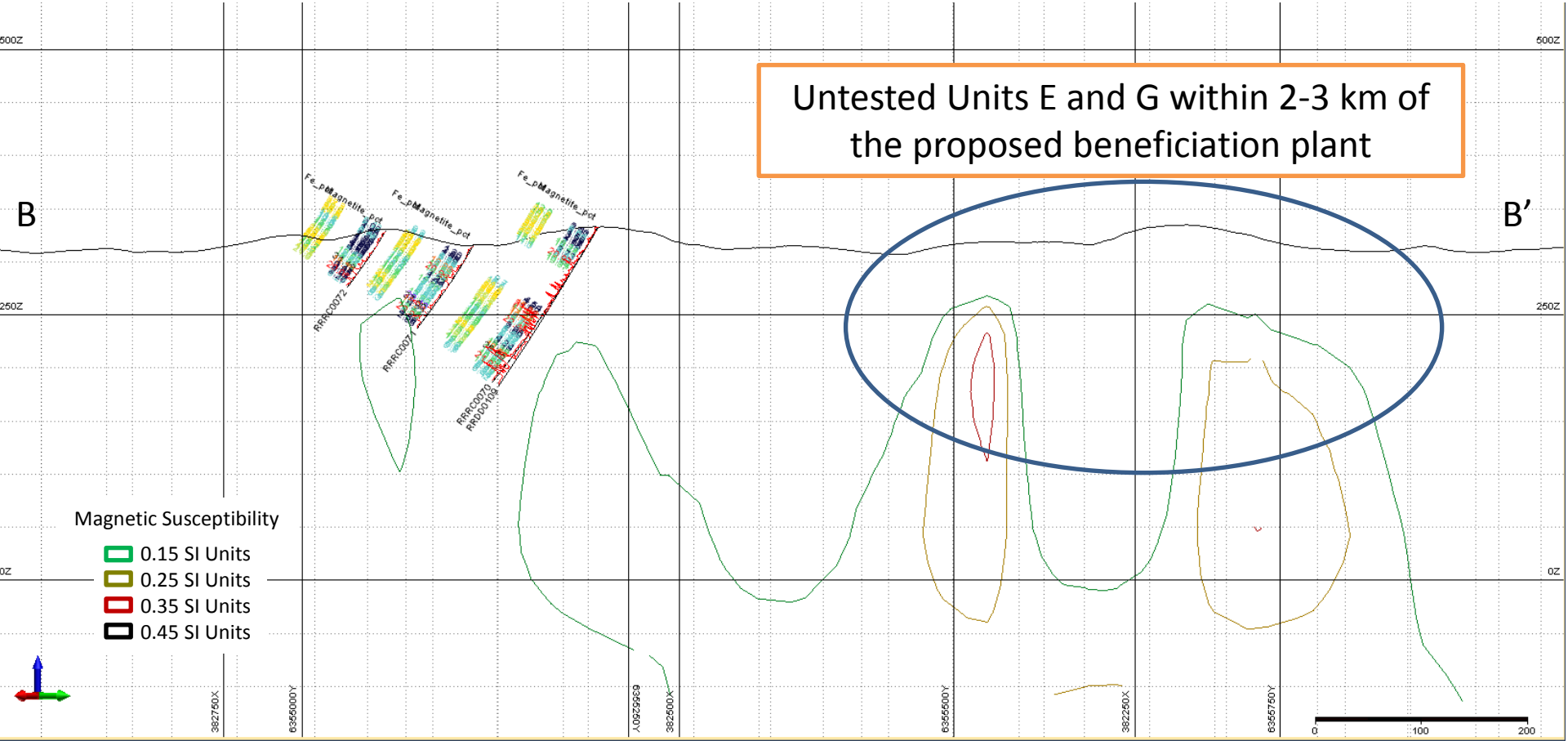


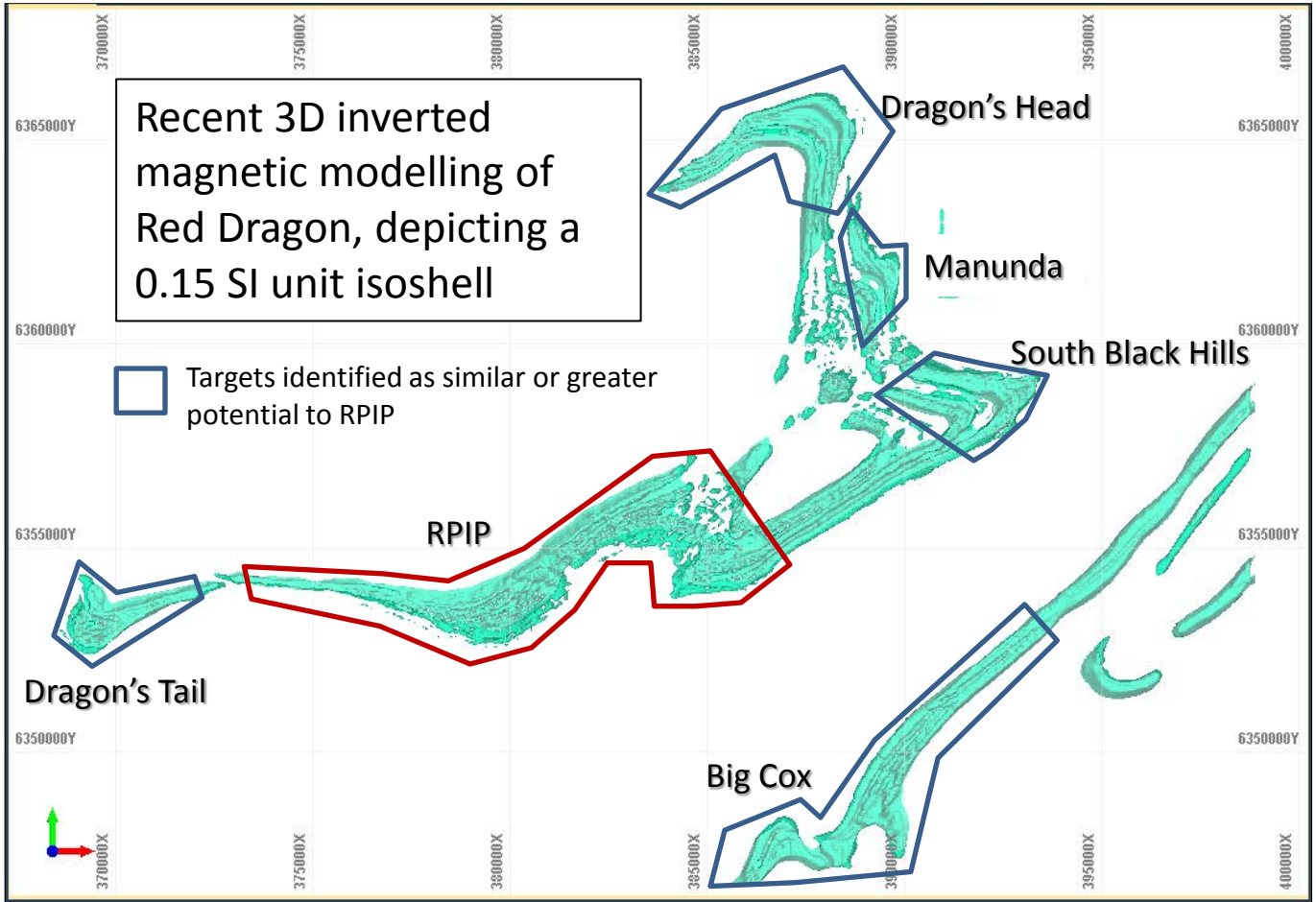
# Iron Peak Cross Section through hinge zone



# Interzone cross section, with 3D magnetic modelling



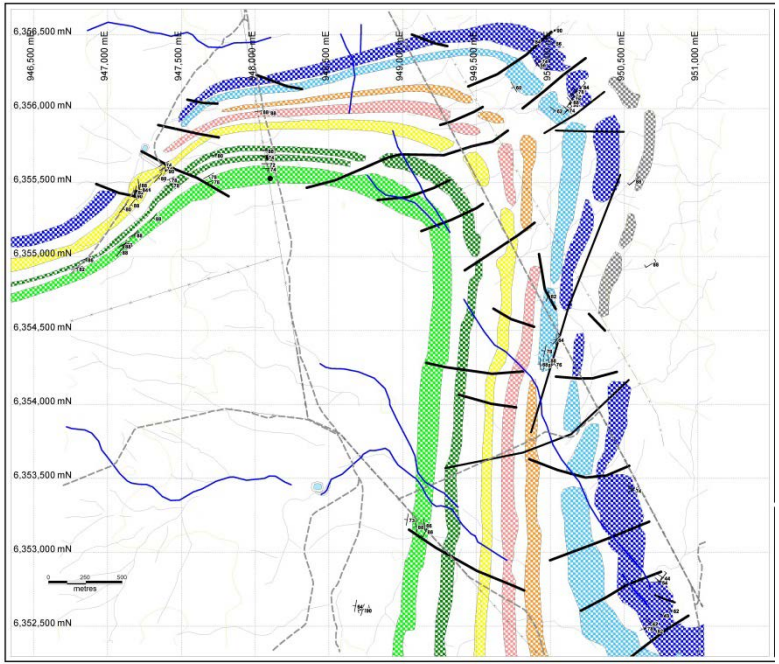
# Red Dragon Blue Sky Potential



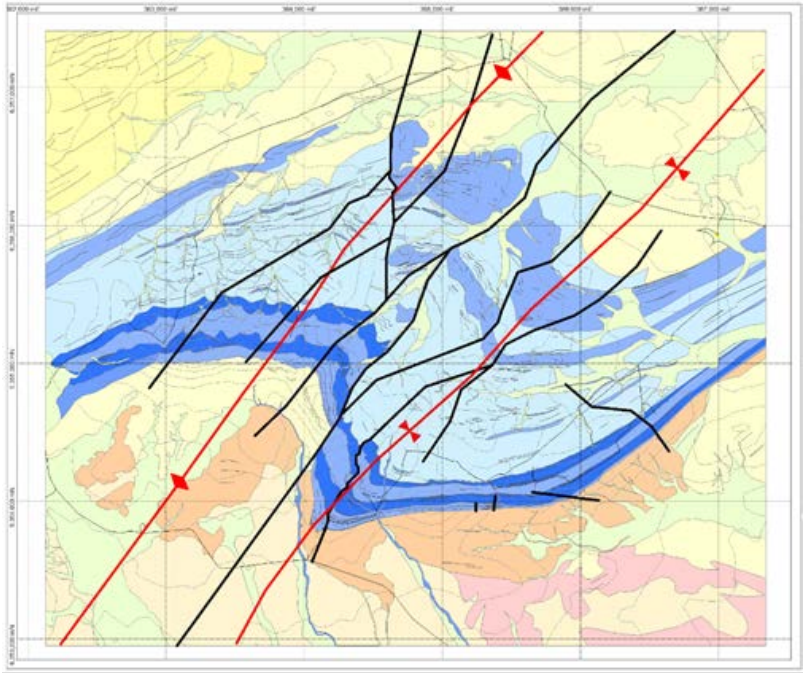
# Exploration – Prospect Scale Mapping

Mapping enables us to have a better idea about where to plan drill holes and what targets could potentially produce the best stripping ratios to mine

## Dragon's Head

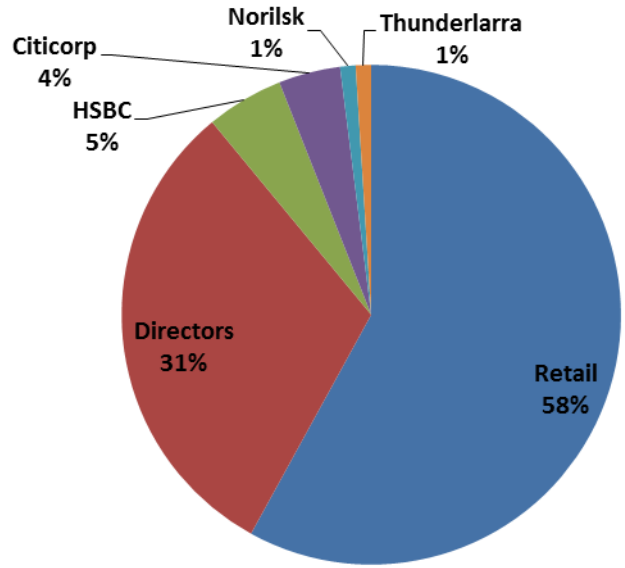



## Iron Peak



# **Appendix:** Corporate Overview of Royal Resources Limited

| | | | |
|---|---|---|---|
| **COMPANY SNAPSHOT** | Issued shares | 353.9M | |
| | Share price | 2.6c | 2.5 – 7.0c (12 months) |
| | Market Cap | $12M | |
| | Cash (31.10.14) | $2.3M | |
| | Top 20 | 59% | |
| **BOARD OF DIRECTORS** | Gordon Toll | Executive Chairman | |
| | Frank DeMarte | Non Executive Director | |
| | Mal Randall | Non Executive Director | |
| **PROJECT MANAGER** | Nate Toll | General Manager | |
| | Dr Gavin England | Chief Geologist | |

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