
ASX Announcement and Media Release

27 January 2015

Second Quarter Activities Report Ending 31 December 2014

Key Points:

CORPORATE

- Royal implements Board and management changes, including the retirement of Mr Phil Crabb as Chairman
- Royal appoints Mr Gordon Toll as Executive Chairman
- Corporate offices relocate to South Australia
- A review of Lodestone (Braemar Iron and Olary Magnetite) iron ore assets is currently underway, with the potential to merge these into Royal's Braemar Regional exploration portfolio
- Royal surrenders non key tenements and looks at opportunities to divest others, so as to focus on the Braemar Region

RAZORBACK PREMIUM IRON PROJECT

- New executive management team review previous work and prepare new project strategy
- Optimisation work continues on some aspects of the Razorback Project
- Mines Department annual technical and environmental reporting currently underway

CORPORATE

Retirement of Mr Phil Crabb

Mr Philip Crabb stepped down as a Royal Resources Limited (Royal) director and Chairman on Friday 28 November 2014, at the Annual General Meeting. Mr Crabb had been Chairman since the Company's official listing on the ASX in April 2006 and his contribution to the Company has been enormous and will always be remembered.

Appointment of New Executive Chairman

At the time of Mr Crabb's retirement, the Royal Board appointed Mr Gordon Toll as Executive Chairman. Mr Gordon Toll is a mining engineer, entrepreneur, explorer and developer of large mining operations. Mr Toll has broad range of experience including acquisitions and new business, company/business turnaround, general management of companies at all levels and public company leadership, including senior commercial and technical executive positions with major international resource companies including BHP Billiton, Rio Tinto, Atlantic Richfield, Texas Gulf, Ivanhoe Mines and the founding Chairman of Fortescue Metals Group. Mr Toll also led the reconstruction of the Savage River magnetite and pellet operations in Tasmania in the late 1990's. Savage River has a 45-year history of successful magnetite production, which continues today.

During his career, Mr Toll's commodity experience includes iron ore, coal, borates and other non-metallic industrial minerals, copper, gold, agricultural and heavy chemicals (specifically potash, soda ash, sodium bi-carbonate, sodium sulphate and sodium hydroxide), ethanol, methanol and oil and gas. Mr Toll is recognized for his fund raising abilities for mining projects around the world and has been intimately involved with the raising of over US \$5 billion during his career. He is also recognised for his involvement with innovative logistics and transportation solutions for the handling of bulk minerals.

Management Changes

In late 2014, Royal advised at that time that Mr Nathaniel Toll agreed to take the role of interim General Manager of Royal to ensure a smooth transition from Perth to Adelaide. With his interim assignment successfully completed, Nathaniel has told the board that he has accepted a senior industry position based in San Antonio, Texas. The Board would like to thank Nathaniel for his dedication to Royal's objectives and wish him every success in his new role.

Dr. Gavin England, who has worked for Royal for the past 5 years as Chief Geologist and been involved in the Razorback Project since the beginning, has been promoted to the position of General Manager, Exploration and Development. Dr England has been a qualified geologist for 20 years, with experience in exploration and project development. He resides in South Australia.

Merger of Royal and Lodestone Assets

As recently advised to the market, the Board of Directors of Royal has been considering the next phase of the development of the Razorback Premium Iron Project (RPIP), and as the first step in that process, Mr Gordon Toll was appointed as Executive Chairman.

Mr Toll is the founder of a group of private investment Companies (the Lodestone Group) which controls 22.5% of Royal. Mr Toll also owns Braemar Infrastructure Pty Limited (www.braemarinfrastructure.com), with whom the Company has a strategic alliance in the development of an iron concentrate export solution for the Braemar region on a multi user basis (Infrastructure Solution), which has obtained Major Development Status from the South Australian Government. The Lodestone Group also controls Braemar Iron Pty Ltd, which owns

or has the rights to significant iron ore tenements adjoining the Company's RPIP and Red Dragon Venture. This development is known as the Braemar Iron Project.

A Conceptual Feasibility Study has been completed by the Lodestone Group for the Braemar Iron Project which shows the conceptual feasibility of the proposed Infrastructure Solution having an initial capacity of 25 million tonnes per annum (Mtpa). The Infrastructure Solution contemplates the subsequent expansion of infrastructure to achieve a capacity of up to 100 Mtpa. Royal advises that this conceptual feasibility study is not based on any assumptions of actual use of the Infrastructure Solution by Royal or any other users in the Braemar region, with the exception of the Braemar Iron Project.

Royal is now analysing the pooling of its intellectual, physical, and geological assets with those of the Lodestone Group. The aim of the pooling is to secure the Lodestone Group asset base necessary to underpin the financing and development of the Braemar region of South Australia as a very substantial producer of high grade, low cost iron ore concentrates for supply to the global steel industry.

Analysis of the data of both the Royal and the Lodestone Group, together with discussions of the form and the structure of this pooling, commenced during the quarter. This has begun with the due diligence of Lodestone exploration tenements in the Braemar Region. The inclusion of these assets will enable Royal to have a strategic hold of several key magnetite exploration targets and be the dominant player within the region. In addition, the new Executive is examining the concept of an expanded capacity at the RPIP that will be the starting point of the development of the Braemar Iron Ore Province by the Company.

When the details and scope of the proposed arrangement are finalised, further announcements will be made. Any proposed corporate transaction and or arrangement between the Company and the Lodestone Group will, as required, be subject to shareholder approval.

Office Relocation

During the quarter, Royal officially closed its Perth office and has relocated its corporate offices to Adelaide, located at: **118B Glen Osmond Rd, Parkside, South Australia, 5063**. This move is part of the Company's plan to be closer to its key asset and enable the Company to better engage with its stake holders and government regulators during the next phase of the project's development.

RED DRAGON VENTURE

The Red Dragon Venture is located 250km NNE of Adelaide, South Australia and comprises a number of highly prospective iron ore areas. The Venture consists of four exploration licences: EL5432 (ex EL4267) and EL4811 are owned by the Company and cover the Razorback Ridge deposit and its extensions. EL5180 and EL5240 are exclusively optioned to Royal for iron ore exploration and development. Royal is focussing on the Razorback Premium Iron Project (RPIP), comprising the Razorback Ridge, Razorback West, Interzone and Iron Peak Prospects (Figure 1).

The extensive Braemar Iron Formation is the host rock to magnetite mineralisation in 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 Billion tonnes to 8.0 Billion tonnes at 18% to 45% Fe^{1,2}**. 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. It is noteworthy that of this target, Royal has defined and announced over **3.9 Billion tonnes** of resources^{3,4} from testing approximately 27% of the prospective horizon. The RPIP contains a magnetite concentrate equivalent resource of **418 Million tonnes at 67.4% Fe⁴**.

RAZORBACK PREMIUM IRON PROJECT

Areas of activities at Razorback during the quarter include:

- New executive management review of previous work and preparation of new project strategy
- Royal commissions 'Creative Process Innovation Pty Ltd' to identify where in the market place in China potential Razorback high grade magnetite concentrate would receive best returns
- Regulatory reporting to the State Government
- Continued work on certain aspects of optimisation of the Prefeasibility Study
- Improvements in the database structure

¹ Announced 24th March, 2011, "EXPLORATION TARGET AND DRILLING UPDATE FOR RAZORBACK".

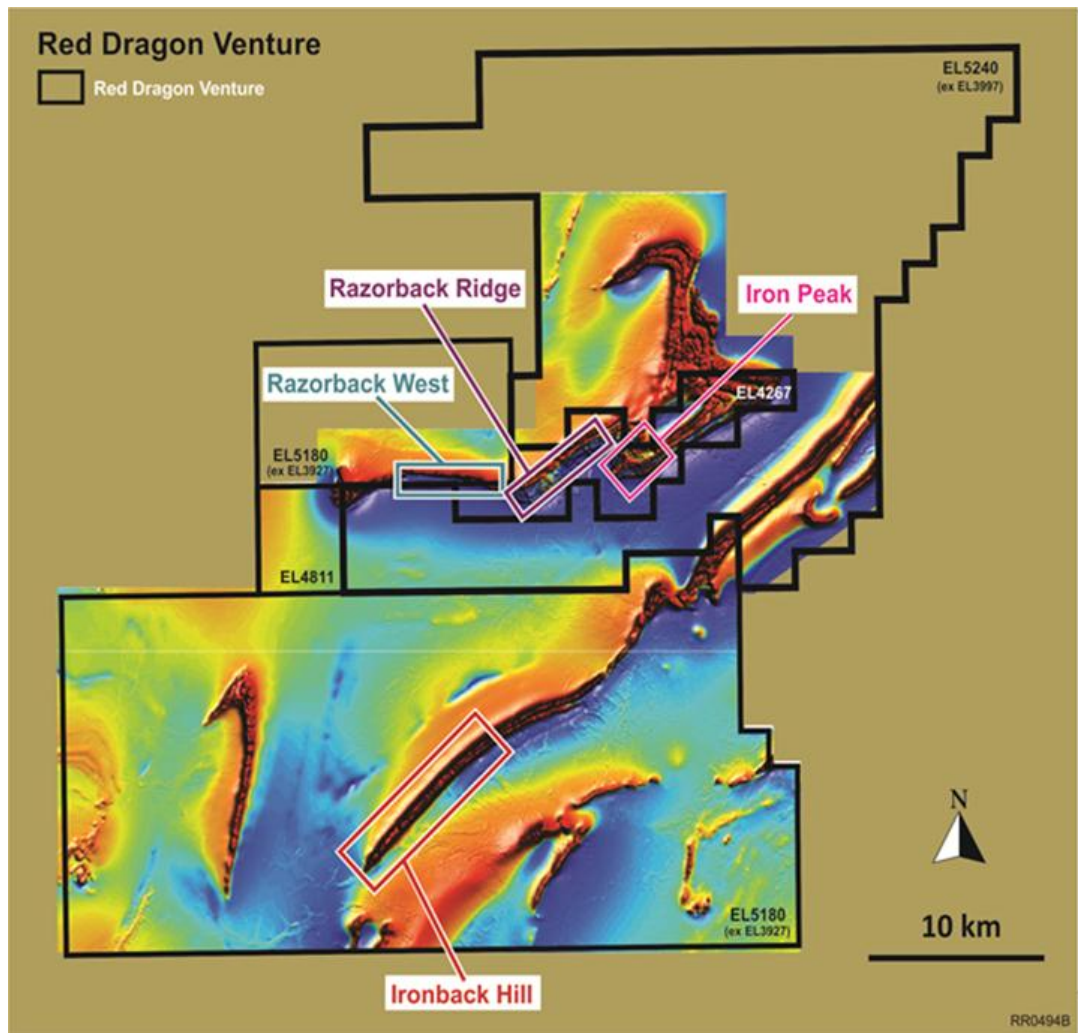
² The details contained in the report dated 24 March, 2011 "EXPLORATION TARGET AND DRILLING UPDATE FOR RAZORBACK" that pertains the quoted exploration target is based upon information compiled by Mr Marcus Flis, BSc (Hons), MSc, a full-time employee of the Royal Resources Limited. Mr Flis is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) 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 December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2004). This information was prepared and first disclosed under the JORC Code 2004. It 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. Mr Flis consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears.

³ Announced 21st November, 2012, "RED DRAGON VENTURE EXCEEDS 3 BILLION TONNES".

⁴ Announced 11th June, 2013, "ROYAL OPTIMISES RAZORBACK RESOURCE".

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

Figure 1: Red Dragon Venture showing prospect locations and area of the Razorback Premium Iron Project



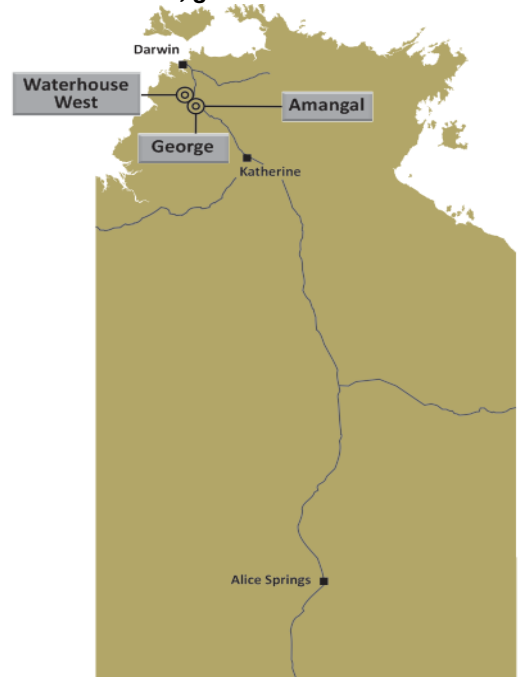
OTHER COMMODITY PROJECTS

NORTHERN TERRITORY – George Gold, Uranium (EL24550 & EL27354)

The George Project is located approximately 100 kilometres southeast of Darwin, in the Northern Territory (Figure 2). The project contains known uranium and gold mineralisation, hosted in Early Proterozoic-aged sedimentary rocks of the Pine Creek Geosyncline. Close to the Adelaide River Township, the two granted tenements that make up the project cover 88 km². An additional 137 km² of contiguous tenement to the east is also under Application. Royal Resources has 100% ownership of the George Project.

The Annual Technical Report was completed during the Quarter. Royal is currently looking at opportunities to divest this asset.

Figure 2: Project Locations, Northern Territory uranium, gold and iron



NORTHERN TERRITORY – Waterhouse West Uranium, Iron (EL24563)

No work was undertaken on the Uranium and Iron prospective Waterhouse West Tenement. Documentation to surrender the tenement has been sent to NT mines department.

SOUTH AUSTRALIA – Cooper Hill Gold, Nickel, Copper (EL5340)

The Cooper Hill Tenement is located on the western edge of the Gawler Craton, South Australia and is prospective for ultramafic-mafic complex related Ni-Cu deposits and IOCG (Au-Cu) style mineralisation. The Annual Technical Report was completed during the quarter. Royal is currently looking at opportunities to divest this asset.

Figure 3: South Australia Tenement Locations



SOUTH AUSTRALIA – Eyre IOCG Project

Recent work by a competitor in the Region (i.e. ASX: MOX release 30th November 2014) has identified potential kimberlite pipes from regional magnetic data supplied by the SA mines department. Kimberlite pipes can be the host for diamonds. Desktop studies of regional magnetic data from Royal's Tenement EL5441 have identified a magnetic anomaly of interest, which the Company will further investigate with ground magnetics in the next Quarter.

WESTERN AUSTRALIA – Watertank Gold Project Gold

This ground has been surrendered during the quarter.

Royal Resources Limited is a mineral exploration company exploring for iron ore in South Australia and for iron, gold and uranium in the Northern Territory. The Razorback Premium Iron Project (RPIP) is centred on the Razorback Ridge deposit within the Red Dragon Venture. It has a JORC (2004) Resource of 2.7 Billion tonnes at 15.3% recovery, including 1.04 Billion tonnes at 16.2% recovery in the Indicated Resource category.

The completed Pre-Feasibility Study shows it to be technically feasible and economically attractive. The Project is targeting production of 9.3Mtpa of premium grade magnetite concentrate by conventional open pit mining and beneficiation. The resulting low-contaminant 67.4% Fe product will attract premium pricing to haematite fines. The RPIP has a potential mine life in excess of 50 years and will employ a workforce of over 650.

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 Gavin England BSc (Hons), PhD, a full-time employee of the Royal Resources Limited and Mr Lynn Widenbar BSc(Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd . Dr England is a member of Australian Institute of Geosciences (AIG). These two 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC 2004 Code). 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 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.

For further information contact:

Gordon Toll

Executive Chairman

+61 8 8427 0516

Appendix 1

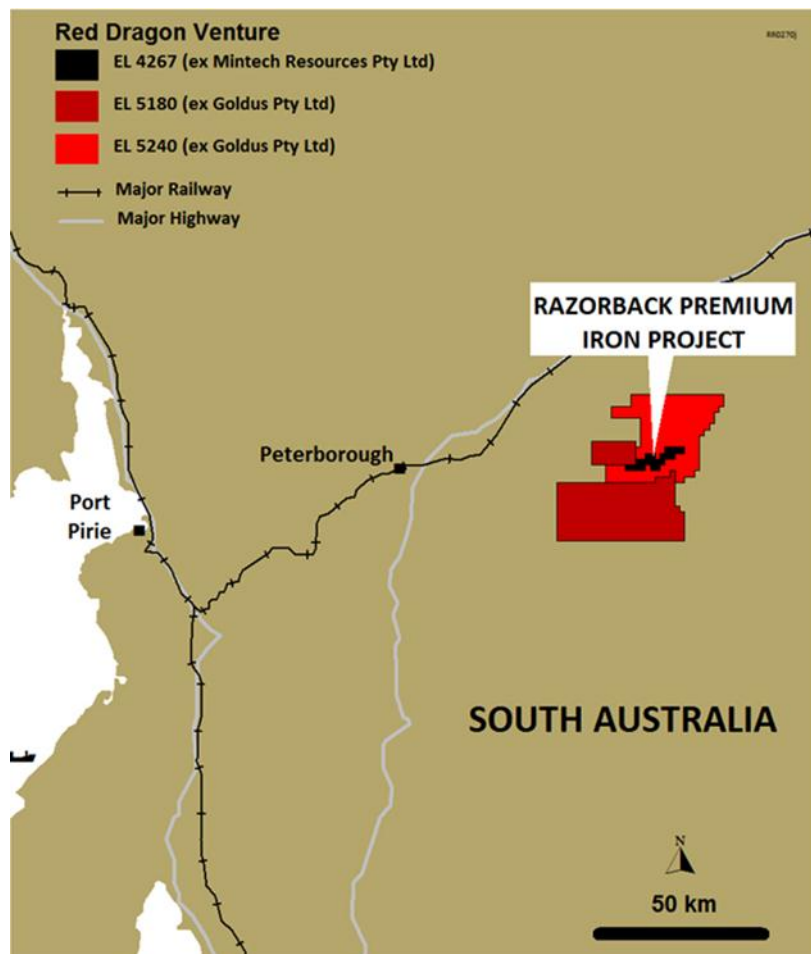
The Mineral Resource information below for the project was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported. The Resource was first announced on 11th June 2013.

Table 1: Total JORC₍₂₀₀₄₎ Mineral Resource from the Razorback Premium Iron Project (11% eDTR cutoff).

Prospect	JORC Resource Classification	Million Tonnes [*]	eDTR% [#]	Fe%	SiO ₂ %	Al ₂ O ₃ %	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
Total	Mineral Resources	2,732	15.3	18.2	48.1	8.0	0.18
CONTAINED CONCENTRATE EQUIVALENT		418		67.4	4.74	0.54	0.016

* Tonnages rounded to significant values; total may not appear correct as a result. The resource has been estimated in accordance with the JORC (2004) Code.

[#] eDTR is determined by DTR and SATMAGAN magnetite estimated % data (see ASX announcement 11th June 2013)



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Royal Resources Limited

ABN

34 108 102 432

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date (6 months) \$A'ooo
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(134)	(468)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(813)	(1,239)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	35	60
1.5	Interest and other costs of finance paid	-	-
1.6	Income tax benefit – R&D refund	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(912)	(1,647)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(7)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	1	1
1.10	Loans to other entities	(71)	(99)
1.11	Loans repaid by other entities	-	-
1.12	Other – Payment for security bonds (provide details if material)	-	-
Net investing cash flows		(70)	(105)
1.13	Total operating and investing cash flows (carried forward)	(982)	(1,752)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(982)	(1,752)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	214	214
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share issue costs	(16)	(21)
	Net financing cash flows	198	193
	Net increase (decrease) in cash held	(784)	(1,559)
1.20	Cash at beginning of quarter/year to date	2,896	3,671
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,112	2,112

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

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	447
1.24	Aggregate amount of loans to the parties included in item 1.10	71
1.25	Explanation necessary for an understanding of the transactions	
	None	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- An amount of \$420,744 is included in item 1.2(d) - payments for administration relating to the retrenchment of the Managing Director and several other employees.
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	10
4.2 Development	-
4.3 Production	-
4.4 Administration	276
Total	286

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	362	196
5.2 Deposits at call	1,750	2,700
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,112	2,896

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	P63/1361 P63/1362 P63/1363	Prospecting Licence Prospecting Licence Prospecting Licence	100% 100% 100%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	-	-	-	-
7.2	-	-	-	-
7.3	353,979,539	353,979,539	-	-
7.4	5,350,000	5,350,000	4	4
7.5	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	2,100,000	-		\$0.225	09/07/2015
	500,000	-		\$0.19	29/07/2015
	5,750,000	-		\$0.28	29/11/2015
	500,000	-		\$0.075	25/03/2016
	2,700,000	-		\$0.049	01/07/2016
	6,750,000	-		\$0.21	27/11/2016
	1,450,000	-		\$0.07	01/07/2017
	6,500,000	-		\$0.16	27/11/2017
	6,500,000	-		\$0.10	31/10/2018
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	4,500,000	-	\$0.55	26/11/2014
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 27 January 2015

Print name: Frank DeMarte

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

The following tenements held by Royal (and its controlled entities) as at 31 December 2014

Tenement/ Project Name	Tenement Number	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during the Quarter	Disposed during the Quarter	Joint Venture Partner/Farm-In Party
WESTERN AUSTRALIA						
WATERTANK	P63/1361	100%	-	-	-	-
WATERTANK	P63/1362	100%	-	-	-	-
WATERTANK	P63/1363	100%	-	-	-	-
NORTHERN TERRITORY						
GEORGE	EL24550	100%	100%	-	-	-
WATERHOUSE WEST	EL24563	100%	100%	-	-	-
AMANGAL	EL27354	100%	100%	-	-	-
SOUTH AUSTRALIA						
PUALCO ⁽¹⁾	EL5180	-	-	-	-	-
RED DRAGON ⁽¹⁾	EL5240	-	-	-	-	-
RAZORBACK RIDGE ⁽²⁾	EL5432	100%	100%	-	-	-
DRAGON'S TAIL	EL4811	100%	100%	-	-	-
COOPER HILL	EL5340	100%	100%	-	-	-
LAKE EYRE	EL5441	100%	100%			

Note 1 As announced by Royal on 24 December 2013, Royal has negotiated the final acquisition payments to an Option Deed for exclusive right to explore for iron only from Goldus Pty Ltd. On 10 July 2014, Royal negotiated an extension of time with Goldus Pty Ltd to complete the acquisition from 1 July 2014 to 3 November 2014. Although Royal has not satisfied the 3 November 2014 extended deadline, neither party has terminated the variation deed and therefore the revised terms and condition are on going.

Note 2 As announced by Royal on 24 December 2013, Royal has negotiated the final acquisition payments to purchase the tenement from Mintech Resources Pty Ltd. On 10 July 2014, Royal negotiated an extension of time with Mintech Resources Pty Ltd to complete the acquisition from 1 July 2014 to 3 November 2014. Although Royal has not satisfied the 3 November 2014 extended deadline, neither party has terminated the variation deed and therefore the revised terms and condition are on going.

+ See chapter 19 for defined terms.