



**INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2014**

INTERIM FINANCIAL STATEMENTS – 31 DECEMBER 2014

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CORPORATE DIRECTORY

DIRECTORS

Gordon Toll	(Executive Chairman)
Frank DeMarte	(Executive Director)
Malcolm RJ Randall	(Non-Executive Director)

COMPANY SECRETARY

Frank DeMarte

REGISTERED OFFICE

118B Glen Osmond Road
Parkside, South Australia 5063

PO Box 1014
Canning Bridge, Applecross
Western Australia 6153

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SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone:	(08) 9323 2000
Facsimile:	(08) 9323 2033

AUDITORS

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

STOCK EXCHANGE LISTING

The Company's shares are listed and quoted on the Australian Securities Exchange Limited ("ASX").

Home Exchange: Perth, Western Australia

ASX Code: ROY

DIRECTORS' REPORT

The directors present their financial statements for the half year ended 31 December 2014.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this statement are set out below. Directors were in office for this entire period unless otherwise stated.

Gordon Toll	(Executive Chairman – appointed on 28 November 2014 and appointed as Director on 23 September 2014)
Frank DeMarte	
Malcolm RJ Randall	
Philip G Crabb	(Resigned on 28 November 2014)
Marcus Flis	(Resigned on 17 October 2014)

RESULT

The operating loss of the Consolidated Entity after tax for the period ended 31 December 2014 was \$23,755,244 (2013: Gain \$1,945,198).

REVIEW OF OPERATIONS

During the period, the Consolidated Entity continued its iron ore and uranium exploration activities in Australia. The Consolidated Entity retains its uranium exploration activities in the USA via its interest in Aldershot Resources Ltd. (Aldershot)

EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the Group in the future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of Royal Resources Limited is set out on page 3 and forms part of the Directors' Report for the period ended 31 December 2014.

This statement is signed in accordance with a resolution of the Directors:



Frank DeMarte
Director

Perth, Western Australia
11 March 2015

11 March 2015

Board of Directors
Royal Resources Limited
118B Glen Osmond Road
Parkside SA 5063

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 review of the financial statements of Royal Resources Limited for the six months ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



Martin Michalik
Director

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 \$	Consolidated 31 December 2013 \$
REVENUE FROM CONTINUING OPERATIONS			
Finance revenue	3(a)	47,398	66,781
Other income	3(b)	1,829	96,403
		<u>49,227</u>	<u>163,184</u>
EXPENDITURE			
Depreciation and amortisation expenses		(26,846)	(50,060)
Employee benefits expenses	3(c)	(764,989)	(1,018,334)
Exploration expenses	4	(15,401)	(194,059)
Other expenses	3(d)	(463,601)	(753,403)
Share of net loss of associate	3(e)	(51,799)	(153,377)
Reversal of impairment of investment in associate provision	3(e)	66,404	159,554
Provision for impairment of capitalised exploration expense	4	(23,177,609)	-
Non-recovery of loan to associate provision		(101,019)	-
Loss from continuing operations before income tax expense		<u>(24,485,633)</u>	<u>(1,846,495)</u>
Income tax benefit	5	730,389	3,791,693
Net (Loss)/Profit from continuing operations for the period		<u>(23,755,244)</u>	<u>1,945,198</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of translation reserve of associate	3(e)	-	38,549
Share of fair value reserve of associate	3(e)	-	(38,569)
Items that will not be reclassified to profit or loss		-	-
Total comprehensive (loss)/income for the period		<u>(23,755,244)</u>	<u>1,945,178</u>
Net (Loss)/Profit attributable to:			
Members of the parent entity		<u>(23,755,244)</u>	<u>1,945,198</u>
Total comprehensive (loss)/income attributable to:			
Members of the parent entity		<u>(23,755,244)</u>	<u>1,945,178</u>
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity:			
		Cents per share	Cents per share
Basic (loss)/earnings for the half-year	6	(6.78)	0.56
Diluted (loss)/earnings for the half-year	6	(6.78)	0.56

The accompanying condensed notes form part of the financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

		Consolidated	
	Notes	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	2,112,499	3,671,290
Trade and other receivables		147,540	74,510
Other financial assets		11,630	18,018
Total Current Assets		<u>2,271,669</u>	<u>3,763,818</u>
Non-Current Assets			
Trade and other receivables		97,754	97,754
Investment in associate	3(e)	341,458	326,853
Property, plant and equipment		140,621	160,220
Exploration and evaluation expenditure	4	8,694,633	31,595,944
Intangibles		5,145	6,980
Total Non-Current Assets		<u>9,279,611</u>	<u>32,187,751</u>
TOTAL ASSETS		<u>11,551,280</u>	<u>35,951,569</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		125,460	187,328
Provisions		28,893	95,540
Total Current Liabilities		<u>154,353</u>	<u>282,868</u>
Non-Current Liabilities			
Deferred tax liability		-	730,389
Total Non-Current Liabilities		<u>-</u>	<u>730,389</u>
TOTAL LIABILITIES		<u>154,353</u>	<u>1,013,257</u>
NET ASSETS		<u>11,396,927</u>	<u>34,938,312</u>
EQUITY			
Contributed equity	10(a)	44,519,005	44,325,919
Reserves		7,641,526	7,620,753
Accumulated losses		(40,763,604)	(17,008,360)
TOTAL EQUITY		<u>11,396,927</u>	<u>34,938,312</u>

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Consolidated	
	Notes	31 December 2014 \$	31 December 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,414,703)	(1,753,089)
Other revenue received		-	89,877
Interest received		59,770	70,082
Payment for exploration and evaluation		(241,699)	(114,619)
Income tax benefit – R&D refund		-	3,791,693
Net cash flows (used in)/from operating activities		(1,596,632)	2,083,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements, exploration and evaluation expenditure		(50,000)	(2,126,132)
Payments for plant and equipment		(7,500)	(7,050)
Proceeds from disposal of fixed assets	3(f)	1,482	12,442
Loan to Aldershot		(99,227)	-
Net cash flows used in investing activities		(155,245)	(2,120,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		193,086	-
Net cash flows from financing activities		193,086	-
Net decrease in cash and cash equivalents		(1,558,791)	(36,796)
Cash and cash equivalents at the beginning of period		3,671,290	4,123,976
Cash and cash equivalents at the end of period	8	2,112,499	4,087,180

The accompanying condensed notes form part of the financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Equity	Accumulated losses	Option Reserve	Share Based Payments Reserve	Foreign Currency Reserve	Fair Value Reserve	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	44,325,919	(17,008,360)	1,007,941	6,637,415	71,554	(96,157)	34,938,312
Total comprehensive income for the period							
Loss for the period	-	(23,755,244)	-	-	-	-	(23,755,244)
Share of translation reserve of associate	-	-	-	-	-	-	-
Share of fair value reserve of associate	-	-	-	-	-	-	-
Total comprehensive gain/(loss) for the period	-	(23,755,244)	-	-	-	-	(23,755,244)
Transactions with owners recorded directly in equity:							
Contributions of equity, net of transaction costs	193,086	-	-	-	-	-	193,086
Recognised value of share based payments	-	-	-	20,773	-	-	20,773
Balance at 31 December 2014	44,519,005	(40,763,604)	1,007,941	6,658,188	71,554	(96,157)	11,396,927

	Equity	Accumulated losses	Option Reserve	Share Based Payments Reserve	Foreign Currency Reserve	Fair Value Reserve	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	44,325,919	(17,567,956)	1,007,941	6,450,393	33,005	(57,588)	34,191,714
Total comprehensive income for the period							
Gain for the period	-	1,945,198	-	-	-	-	1,945,198
Share of translation reserve of associate	-	-	-	-	38,549	-	38,549
Share of fair value reserve of associate	-	-	-	-	-	(38,569)	(38,569)
Total comprehensive gain/(loss) for the period	-	1,945,198	-	-	38,549	(38,569)	1,945,178
Transactions with owners recorded directly in equity:							
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-
Recognised value of share based payments	-	-	-	187,022	-	-	187,022
Balance at 31 December 2013	44,325,919	(15,622,758)	1,007,941	6,637,415	71,554	(96,157)	36,323,914

The accompanying condensed notes form part of the financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Royal Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

These interim financial statements were authorized for issue on 11 March 2015

a) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

b) Mineral exploration and evaluation

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of profit and loss in the period when the new information becomes available.

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 valuation 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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

3. REVENUE AND EXPENSES

Revenues and expenses from continuing operations:

		Consolidated	
		31 December 2014	31 December 2013
		\$	\$
a) Finance revenue			
Bank interest received and receivable		47,398	66,781
b) Other Income			
Sundry income		1,791	96,403
Foreign currency gain		38	-
		1,829	96,403
c) Employee benefits expense			
Share based payments (note 12a)		20,773	187,022
Salaries and wages		744,216	831,312
		764,989	1,018,334
d) Other expenses			
Contractors and consultants services		137,243	546,990
General and administrative expenses		325,753	206,061
Loss on disposal of property, plant and equipment	3(f)	605	352
		463,601	753,403
e) Investment accounted for using equity method			
Balance at the beginning of the year		326,853	335,086
Share of associated company's loss after tax		(51,799)	(153,377)
Share of translation reserve of associate		-	38,549
Share of fair value reserve of associate		-	(38,569)
Recognised value of share based payments of associate		-	-
Reversal of/(increase in) impairment provision		66,404	159,554
		341,458	341,243
At 31 December 2014 the market value of the shares that the group held in Aldershot was \$341,458 and as at 10 March 2015 the market value was \$336,300.			
f) Loss on disposal of property, plant and equipment			
Proceeds from disposal of property, plant and equipment		1,482	12,442
Less carrying value of disposed property, plant and equipment		(2,087)	(12,794)
Net loss on disposal of property, plant and equipment	3(d)	(605)	(352)

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

4. EXPLORATION EXPENDITURE

	31 December 2014 \$	30 June 2014 \$
Balance at the beginning of the period	31,595,944	29,800,960
Exploration expenditure	291,699	2,049,728
Provision for impairment of capitalised exploration expense	(23,177,609)	-
Exploration written off	(15,401)	(254,744)
	<u>8,694,633</u>	<u>31,595,944</u>

5. INCOME TAX BENEFIT

	31 December 2014 \$	31 December 2013 \$
Income Tax Benefit	730,389	3,791,693

6. EARNINGS PER SHARE

	31 December 2014 Cents	31 December 2013 Cents
Basic loss per share (cents per share)	(6.78)	0.56
Diluted loss per share (cents per share)	(6.78)	0.56
Weighted average number of ordinary shares used in the calculation of basic earnings per share	350,257,800	348,629,539
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	350,257,800	348,629,539

7. SEGMENT INFORMATION

Royal Resources Limited operates within the exploration industry in Australia and has an interest in Aldershot, a TSX Venture Exchange listed company.

The consolidated entity has applied AASB 8 Operating Segments. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the Company reports its segment information to the Board. The change in policy has not resulted in a change to the disclosure presented.

Primary Reporting Geographical Segments	Segment Revenues	Segment Revenues	Segment Results	Segment Results
	Dec 2014 \$	Dec 2013 \$	Dec 2014 \$	Dec 2013 \$
Australia	49,227	163,184	(23,755,244)	1,945,177
Canada	-	-	-	21
Eliminations/Unallocated	-	-	-	-
Total	49,227	163,184	(23,755,244)	1,945,198

Primary Reporting Geographical Segments	Segment Assets	Segment Assets	Segment Liabilities	Segment Liabilities
	Dec 2014 \$	June 2014 \$	Dec 2014 \$	June 2014 \$
Australia	11,209,822	35,624,716	154,353	1,013,257
Canada	341,458	326,853	-	-
Eliminations/Unallocated	-	-	-	-
Total	11,551,280	35,951,569	154,353	1,013,257

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

8. CASH AND CASH EQUIVALENTS

For the purposes of the half year Condensed Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Cash at bank and in hand	362,499	371,290
Short-term deposits	1,750,000	3,300,000
	<u>2,112,499</u>	<u>3,671,290</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at call earn interest on a 30 to 180 day term basis at bank deposit rates.

9. 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	100	100

The Company has a direct equity interest of 40.69% in Aldershot Resources Ltd (Aldershot) a listed company on the Toronto Stock Exchange. Whilst the Company has a significant equity interest in Aldershot, the directors have determined that the Company does not control Aldershot as it does not have the power or current ability to direct the activities of Aldershot.

10. CONTRIBUTED EQUITY

a) Issued and paid up capital

	31 December 2014	30 June 2014
	\$	\$
Ordinary shares		
Issued and fully paid	46,515,490	46,301,490
Less: issue costs	(1,996,485)	(1,975,571)
	<u>44,519,005</u>	<u>44,325,919</u>

b) Movement in ordinary shares on issue 2014

	Number of shares	\$
At 1 July 2014	348,629,539	44,325,919
Movement	5,350,000	193,086
At 31 December 2014	<u>353,979,539</u>	<u>44,519,005</u>

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

11. SHARE OPTIONS

	Balance at 1 July 2014	Issued during the period	Exercised during the period	Lapsed during the period	Expired during the period	Balance at 31 December 2014
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	2,100,000	-	-	-	-	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 4.9 cents, on or before 1 July 2016	2,700,000	-	-	-	-	2,700,000
Unquoted options exercisable at 7 cents, on or before 1 July 2017	-	1,500,000	-	(50,000)	-	1,450,000
Unquoted options exercisable at 16 cents, on or before 27 November 2017	6,500,000	-	-	-	-	6,500,000
Unquoted options exercisable at 10 cents, on or before 31 October 2018	6,500,000	-	-	-	-	6,500,000
Total	35,800,000	1,500,000	-	(50,000)	(4,500,000)	32,750,000

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

12. SHARE BASED PAYMENTS

a) Recognised share based payment expenses

The expense recognised for services received during the period is shown in the table below:

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Expense arising from options issued to Directors, employees and contractors (note 3c)	20,773	187,022

b) Issue of Directors Options

The Company has an Employee Share Option Plan in place which was approved by shareholders on 28 November 2011. During the 6 months ended 31 December 2014, Nil (2013: 6,500,000) options were issued to Directors. Also during this period 1,500,000 unquoted options exercisable at 7 cents each on or before 1 July 2017 were issued to employees.

c) Directors, Employee and Vendor Options

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

	Consolidated	
	Number of Options	WAEP cents
Outstanding at beginning of the period	35,800,000	22
Granted during the period	1,500,000	7
Exercised during the period	-	-
Expired / lapsed during the period	(4,550,000)	54
Outstanding at end of the period	32,750,000	17
Exercisable at the end of the period	32,750,000	17

The terms and conditions of the options issued during the period are as follows:

- (i) 1,500,000 unquoted options issued to employees, at an exercise price of 7 cents each and an expiry date of 1 July 2017. The share price of Royal Resources Limited at the grant date 14 July 2014 was 4.2 cents per share. The fair value of the options has been calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	7 cents
Weighted average life of the options (years)	3 years
Share price at grant date (cents)	4.2 cents
Expected share price volatility (%)	91%
Risk free interest rate (%)	2.6%
Fair value per option	1.4 cents

13. INTEREST IN JOINT VENTURES

The Group has not entered into any joint venture agreements with third parties in Australia.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

14. COMMITMENTS

In the opinion of the directors, there are no commitments or contingent liabilities at 31 December 2014 and none were incurred in the interval between the period end and the date of this financial report other than as disclosed in Notes 14 and 15.

a) Mineral tenement expenditure commitments – Australia

The Company has expenditure obligations of approximately \$442,322 with respect to the core assets being the Razorback Premium Iron Project and the Red Dragon Venture. Non core tenements (EL5340 – Cooper Hill, EL5441 – Victory Dam, EL24550 – George and EL27354 – Amangal) are currently in the initial stage of divestment.

If the Company 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.

b) Operating Lease Commitments

The Company has a commercial non cancellable lease expiring on 28 February 2017 on its corporate office premise in Adelaide. The Company also has a commercial lease on its corporate office premises in Perth. This is a non-cancellable lease expiring 31 May 2016 that has not been recognised as liability or payable in the financial statements. Royal relocated its corporate office to Adelaide on 1 December 2014 and is currently seeking new tenants to take over the Perth office lease.

	31 December 2014 \$	30 June 2014 \$
Within one year	110,530	89,665
After one year but not more than five years	76,920	72,546
	<u>187,450</u>	<u>162,211</u>

c) Bonds

As at 31 December 2014, the Company has outstanding \$77,754 (30 June 2014: \$77,754) as bonds provided by the Company's bank for mineral tenements in Australia.

d) Bank guarantee

As at 31 December 2014, the Company has outstanding \$20,000 (30 June 2014: \$20,000) as a guarantee provided by the Company's bank for corporate office lease.

15. CONTINGENCIES

Contingent liabilities

As at 31 December 2014, the Company has no outstanding commitments or contingencies, which are not disclosed in Note 15 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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

- (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).

Although Royal has not satisfied the 3 November 2014 extended deadline, neither of the parties has formally terminated the Mintech and Goldus Variation Deeds and therefore the revised acquisition terms and condition are on-going.

No other amounts have been booked at 31 December 2014 as they are considered to be contingent liabilities at 31 December 2014.

Prior to signing the Variation Deeds on 19 December 2013 and 4 July 2014, the Group 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

16. SUBSEQUENT EVENTS

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the reporting entity in the future financial periods.

DIRECTORS' DECLARATION

In the opinion of the directors of Royal Resources Limited ("The Company"):

- (1) the financial statements and notes, as set out in pages 4 to 15 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - b) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2014 and of its performance for the half-year ended on that date of the Consolidated entity; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Frank DeMarte
Director

Perth, Western Australia
11 March 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Royal Resources Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Royal Resources Limited (the consolidated entity). The consolidated entity comprises both Royal Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Royal Resources Limited are responsible for the preparation of the half-year 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Royal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Royal Resources Limited on 11 March 2015.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Royal Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 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
11 March 2015