REGAL
RESOURCES LIMITED

REGAL RESOURCES LIMITED

ACN 106 294 106

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Directors
Peter Ruxton – Non-Executive Director
Simon Dorling – Non-Executive Director
David Young – Managing Director and Chief Executive Officer
(resigned 29 February 2016)
Non-Executive Director
(appointed 29 February 2016)
John Hodder – Non-Executive Director (appointed 7 March 2016)
Mark Savich – Non-Executive Chairman (resigned 15 January 2016)

Company Secretary
Patrick Holywell (appointed 5 October 2015)
Ian Pamensky (resigned 7 January 2016)

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Auditor
BDO East Coast Partnership
Level 14
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Melbourne VIC 3000

Lawyer
Bellanhouse Legal
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Interim report
for the six months ended 31 December 2015

Review of Activities

Project Overview

Regal Resources Limited ("Regal" or the "Company") is an exploration company focused on transitioning in the near-term to a 25,000t per annum copper producer. The Company's flagship project is the Kalongwe Cu-Co deposit (the "Project") which hosts a near-surface Cu-Co oxide mineral resource of 11.17Mt @ 2.7% Cu for 302,000t contained copper and 42,000t contained cobalt reported to JORC guidelines. The Project is located in the Katanga Province of the DRC and is situated towards the western end of the world-class, Central African Copperbelt (see Figure 1).

A Scoping Study (the "Study") has been completed to evaluate the viability of developing a stand-alone mining operation at Kalongwe utilising an HMS (heavy media separation) plant to produce a high-grade copper/cobalt concentrate (ASX:RER 21 April 2015). The Study was based on the Measured and Indicated categories of the JORC Mineral Resource estimate. The results of the Study have highlighted the potential to fast-track the development, extraction and processing of the resource via open-pit mining and HMS operation at Kalongwe. The Kalongwe permit is covered by a mining licence and is valid for an initial period of thirty years.

Ownership of the Project is held by Kalongwe Mining SA ("Kalongwe Mining"), a company currently owned by Regal (30%), the international commodities trading company Traxys (30%) and La Generale Industrielle et Commerciale au Congo SPRL ("GICC") (40%). Kalongwe Mining is required to transfer 5% of its interest in the Project to the DRC state.

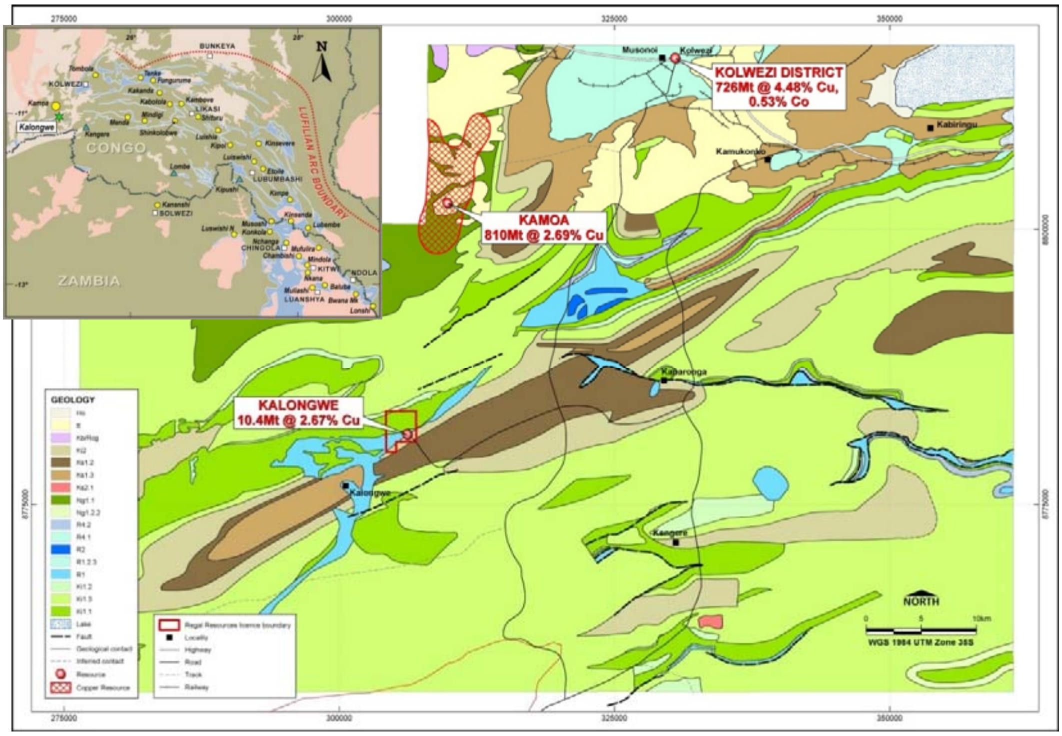

Figure 1: Map of the western Congolese part of the African Copperbelt (CACB) and the location of the Kalongwe Project relative to principal Cu-Co deposits in the region. Inset shows location of Kalongwe in the context of the CACB.

The Company has also entered into a joint venture with Ivanhoe Mines Ltd (TSX:IVN, "Ivanhoe") to earn up to a 98% interest in a package of five highly prospective permits covering an area of approximately 350sq km which is largely contiguous with the Kalongwe permit (see Figure 2). The JV area contains regional-scale anticlinal folds, faults and thrust structures. These are considered to offer high-quality exploration targets as they can present windows onto the mineralised rocks of the Lower Roan Mine Series.

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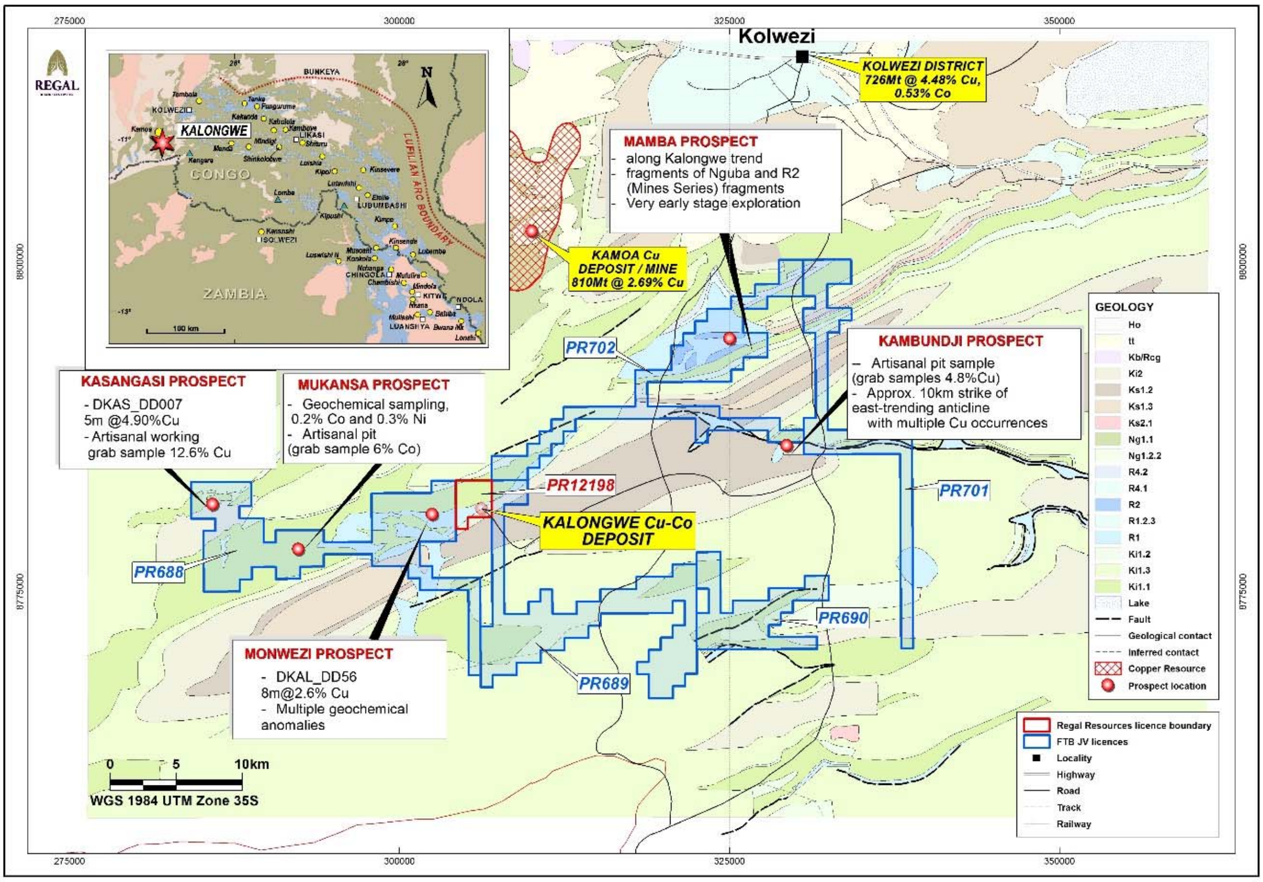

Figure 2: Location map of the FTBJV licences, significant copper deposits and regional towns and delineated exploration targets within the FTBJV area.

2015 Half-Year Highlights

During the half year, a number of major milestones were achieved which will contribute to the de-risking of the development of the Project. Kalongwe Mining notified Regal that the DRC Minister of Mines signed an Arrete (decree) granting a mining licence in accordance with the DRC Mining Code (2002) ("Mining Code"). The licence covers the entire Kalongwe Permit area encompassing the Kalongwe deposit.

Under the provisions of the Mining Code, the holder of a mining licence has the exclusive right to conduct exploration, development, construction and mining activities for those minerals for which the permit is granted. It also allows its holder to build the installations and infrastructure required for mining exploitation, use the water and forestry resources inside the mining perimeter, process, transport and market the minerals. The licence holder will be required to transfer a 5% interest in the project to the DRC State.

Progress was also made on the Phase 2 metallurgical testwork program that will provide input into a planned DFS (definitive feasibility study). Mineralogical characterisation, leachability and density separation testing was conducted by ALS Metallurgical Laboratory in Perth on three sample composites under the supervision of MMS. Each of the composite samples reflects one of the three ore types consecutively extracted during open pit mining.

Analysis of the composites confirm that the mineralisation is typical for the copper belt. Malachite is the dominant copper mineral for all composites, accounting for 60% to 70% of the total copper. The other copper-bearing oxide minerals include chrysocolla (~12%) and pseudomalachite (7%). Copper sulphide minerals include chalcocite, digenite and/or covellite. The mineralisation is typical for copper belt mineralisation in the oxide zone.

The results of the sequential leach testing and acid consumption tests indicated that the copper dissolution is very close to the total acid soluble copper. All three sample composites had a low GAC (gangue acid consumption). This is a very positive outcome indicating that the oxide ore from the deposit should be amenable to low cost leaching. The preliminary results of the Heavy Liquid Testing (HLS) on all three of the composite samples indicate that it should be feasible for an HMS plant to produce a >20% copper concentrate.

Overall, the results are considered to be very encouraging and are consistent with characteristics of ore material processed in other gravity separation plants in the DRC which produce a high grade concentrate from the HMS and a lower grade concentrate from the spiral plant. There also appear to be no deleterious species in the ore that might impact its sale to leaching or smelting operations.

During the period, the Company also completed a review of historic technical data covering the Ivanhoe JV Project. The review included an assessment of five copper-mineralised prospects previously identified by Ivanhoe and also several other target/follow-up areas beyond those identified by Ivanhoe. Additionally, it showed that all target areas are under-explored and considered to be highly prospective.

The five prospects identified for immediate follow-up and exploration highlights are:

- *Kasangasi Prospect:* (~8 DD holes completed), 5m at 4.9% Cu, artisanal pit exploiting Cu, mineralisation in structure at Ki.1/2 contact; intersection of regional structure;

- *Mukansa Prospect:* (artisanal pit), diapir structure with multiple R2 fragments, >10 Mines Series fragments, 6% Co in rock chip sample; pitting, sampling, mapping;

- *Monwezi West Prospects:* (immediately southwest of Kalongwe), best result 8m at 2.60% Cu (DKAL_DD0056) previous diamond drilling as part of Kalongwe exploration drilling, good auger and trench results; includes three separate prospects, Monwezi 2, 3, 7; significant geochemical anomalies, multiple fragments of Mines Series;

- *Kambundji East Prospect*: located NE of Kalongwe property; Mines Series fragments in diapir structure; artisanal pits; high rock chip results 4.8% Cu; and

- *Mamba Prospects:* (near Kolwezi) diapir structure, large Nguba and Mines Series fragments, 2-3 km; 17 DD holes for ~4,300 m; mapping; mineralisation intersected; DMBA_007 intersected mineralisation; large area and significant scope for further testing mainly geophysical targets.

Most of the exploration targets within the Ivanhoe JV project area occur in settings that are akin to mineralisation at Kalongwe. However, there is also potential for discovery of copper mineralisation of the “Kamoa-type” in the post-Roan strata.

Ivanhoe recently announced on 25 January 2016 that they had made a major new copper discovery, the Kakula prospect that lies within the Kamoa mining licence area and is approximately 10km north of the Kalongwe deposit. The discovery further emphasises the prospectivity of rock formations other than the Roan Series hosting significant copper mineralisation in the region.

Planned activities

At the end of the rainy season the Company plans to commence with preparations and work towards the completion of the Kalongwe Definitive Feasibility Study and the Ivanhoe Joint Venture. Work to be conducted for the DFS includes geotechnical, hydro-geological, surveying and other mining and infrastructure studies.

The Company also plans to establish an exploration base for its Ivanhoe Joint Venture operation. This will include a base in Kolwezi and a set of field-based fly camps. The initial work programs are planned to include mapping, rock chip sampling to deliniate the sites of systematic soil sampling areas. Already delineated soil geochemical anomalies will be targeted with trenching and a small number of targets are planned to be followed up with RC or diamond drilling. The 2016 dry season will be used to evaluate and advance as many of the identified targets.

Corporate

In December 2015, Regal announced amendments to the convertible loan financing facility agreement (“Loan Agreement”) and Strategic Relationship and Subscription Agreement with Tembo Capital Mining Fund Group (“Tembo”). An affiliate of Sprott Inc. (“Sprott”) (TSX:SII), Exploration Capital Partners 2005 Limited Partnership (“ECP”) agreed to provide a further $1 million to Regal and the Loan Agreement, now jointly provided by Ndovu Capital VI B.V. (“Ndovu”, an affiliate of Tembo) and ECP, was extended for six months.

As announced earlier in 2015, Regal signed a Strategic Relationship and Subscription Agreement ("Strategic Agreement") with Tembo whereby, among other things, a Tranche 2 investment totalling $5.1 million by way of a share placement would be undertaken. Tranche 2 was subject to various conditions including the completion of the previously announced transaction between Traxys and the Company.

Due to the passage of time, Regal and Tembo agreed to re-negotiate the terms of the Tranche 2 investment. Tembo is one of the largest shareholders in Regal and continues to support the Company as Regal works towards achieving its objective of developing the Kalongwe deposit in the Democratic Republic of Congo. Regal also continued advanced negotiations with Traxys over the acquisition of its 30% interest in Kalongwe Mining.

Although Regal is in advanced negotiations with Tembo in relation to the further investment, and Traxys in relation to the proposed acquisition, Regal cautions investors that there is no certainty that agreements will be reached. In addition, in the event that agreements are reached, completion of the agreements would be subject to a number of conditions precedent and there is no certainty that the transactions would complete. The Company will provide an update to the market when possible.

Directors' Report

The Directors of Regal Resources Limited submit herewith the financial report of the Company and its controlled entities (the "consolidated entity") for the six months ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

The following persons were Directors of Regal Resources Limited at any time during or since the end of the half-year and up to the date of this report, unless otherwise stated:

Directors

Peter Ruxton
Simon Dorling
David Young
John Hodder (appointed 7 March 2016)
Mark Savich (resigned 15 January 2016)

Company Secretary

Patrick Holywell (appointed 5 October 2015)
Ian Pamensky (resigned 7 January 2016)

Review of operations

Refer to the detailed review of operations included in the Review of Activities which precedes the Directors' Report.

Principal activities

The principal activities of the consolidated entity during the financial period consisted of identifying and acquiring an interest in and value add to mineral exploration and mining opportunities in the Democratic Republic of the Congo.

Changes in state of affairs

There have not been any significant changes in the consolidated entity's affairs during the period.

Subsequent events

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the Directors made pursuant to Section 298 (2) of the *Corporations Act 2001.*

On Behalf of the Directors

Simon Dorling
Director

Perth, 15 March 2016

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DECLARATION OF INDEPENDENCE BY SIMON SCALZO TO THE DIRECTORS OF REGAL RESOURCES LIMITED

As lead auditor for the review of Regal Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Regal Resources Limited and the entities it controlled during the period.

Simon Scalzo
Partner

BDO East Coast Partnership

Melbourne, 15 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Regal Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Regal Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 2015 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 Regal 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.

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*, which has been given to the directors of Regal Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Regal 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 2015 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*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Simon Scalzo
Partner

Melbourne, 15 March 2016

Directors' Declaration

The Directors declare that:

(a) the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001

On behalf of the Directors

Simon Dorling
Director

Perth, 15 March 2016

REGAL RESOURCES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	CONSOLIDATED 31 DECEMBER 2015 $	31 DECEMBER 2014 $
Interest income		24,060	11,734
Employee benefits expense		(350,418)	(399,001)
Depreciation and amortisation		-	(50,938)
Consulting expense		(88,042)	(108,966)
Occupancy expense		(8,667)	(39,390)
Loss recognised on disposal of Regal SK	7	(2,015,441)	-
Impaired exploration expenditure		(4,844)	(9,579)
Impaired property, plant and equipment		(23,561)	(273,981)
Impaired non-current receivables		-	(463,616)
Impaired intangible assets		-	(13,472)
Impaired available for sale financial assets		(22,124)	(12,000)
Site care and maintenance costs		58,298	(276,611)
Share of net loss of associate		(200,191)	(218,150)
Interest expense		(45,255)	(86,274)
Foreign exchange loss		(139,411)	(176,769)
Other corporate administration expenses		(301,332)	(454,580)
Loss before income tax benefit		**(3,116,928)**	**(2,571,593)**
Income tax expense		-	-
Net loss after income tax for the half year from continuing operations		**(3,116,928)**	**(2,571,593)**
Other comprehensive income			
Effects of foreign currency translation		22	121,988
Other comprehensive income for the half year, net of tax		22	121,988
Total comprehensive loss			
Net income/(loss) for the half year is attributable to:			
Non-controlling interest		-	(323,099)
Owners of Regal Resources Limited		(3,116,928)	(2,248,494)
		(3,116,928)	**(2,571,593)**
Total comprehensive income/(loss) attributable to:			
Non-controlling interest		-	(230,649)
Owners of Regal Resources Limited		(3,116,906)	(2,218,956)
		(3,116,906)	**(2,449,605)**
Loss per share:			
Basic and diluted loss per share		(1.43)	(1.38)

The accompanying notes form part of these financial statements.

	Note	CONSOLIDATED 31 DECEMBER 2015 $	30 JUNE 2015 $
Current assets			
Cash and cash equivalents		1,329,503	1,597,497
Trade and other receivables		204,556	87,608
Other current assets		20,104	23,257
Total current assets		**1,554,163**	**1,708,362**
Non-current assets			
Investments accounted for using the equity method	2	4,033,685	3,717,478
Available-for-sale financial assets		-	93,000
Exploration and evaluation	3	192,552	131,214
Total non-current assets		**4,226,237**	**3,941,692**
Total assets		**5,780,400**	**5,650,054**
Current liabilities			
Trade and other payables	4	2,367,111	2,226,506
Borrowings	4	876,243	788,267
Total current liabilities		**3,243,354**	**3,014,773**
Total liabilities		**3,243,354**	**3,014,773**
Net assets		**2,537,046**	**2,635,281**
Equity			
Issued capital	5	42,711,418	42,748,463
Convertible loan	6	2,500,000	1,500,000
Reserves		14,181,190	14,151,983
Accumulated losses		(56,855,562)	(53,738,634)
Equity attributable to owners		2,537,046	4,661,812
Non-controlling interest		-	(2,026,531)
Total equity		**2,537,046**	**2,635,281**

The accompanying notes form part of these financial statements.

Consolidated For the six months ended 31 December 2015	Attributable to equity holders Issued Capital $	Convertible Loan $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total Equity $
At beginning of period	42,748,463	1,500,000	14,151,983	(53,738,634)	(2,026,531)	2,635,281
Other comprehensive income	-	-	22	-	-	22
Loss for the half year	-	-	-	(3,116,928)	-	(3,116,928)
Total comprehensive income/ (loss) for the half year	-	-	22	(3,116,928)	-	(3,116,906)
De-recognition of foreign currency reserve	-	-	29,185	-	(29,604)	(419)
De-recognition of non-controlling interest on disposal	-	-	-	-	2,056,135	2,056,135
Contributions of equity, net of transaction costs	(37,045)	1,000,000	-	-	-	962,955
At end of period	42,711,418	2,500,000	14,181,190	(56,855,562)	-	2,537,046

Consolidated For the six months ended 31 December 2014	Attributable to equity holders Issued Capital $	Convertible Loan $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total Equity $
At beginning of period	39,734,129	-	13,899,460	(49,264,966)	(1,503,771)	2,864,852
Other comprehensive income	-	-	29,538	-	92,450	121,988
Loss for the half year	-	-	-	(2,248,494)	(323,099)	(2,571,593)
Total comprehensive income/ (loss) for the half year	-	-	29,538	(2,248,494)	(230,649)	(2,449,605)
Contributions of equity, net of transaction costs	1,877,471	-	-	-	-	1,877,471
At end of period	41,611,600	-	13,928,998	(51,513,460)	(1,734,420)	2,292,718

The accompanying notes form part of these financial statements

	CONSOLIDATED	
	31 DECEMBER 2015 $	31 DECEMBER 2014 $
Cash flows from operating activities		
Interest received	3,943	10,213
Payments to suppliers and employees	(830,991)	(1,064,117)
Net cash used in operating activities	(827,048)	(1,053,904)
Cash flows from investing activities		
Proceeds from asset disposals	114,310	-
Payment for investments	(289,751)	(1,755,062)
Payment for exploration and evaluation	(61,620)	(75,000)
Payment of cash upon disposal of Regal SK	(200,924)	-
Net cash used in investing activities	(437,985)	(1,830,062)
Cash flows from financing activities		
Proceeds from issue of shares	-	2,000,000
Proceeds from convertible loan	1,000,000	-
Share issue transaction costs	(2,911)	(12,228)
Net cash from financing activities	997,089	1,987,772
Net decrease in cash and cash equivalents	(267,944)	(896,194)
Cash and cash equivalents at the beginning of the financial period	1,597,497	2,426,497
Effects of foreign exchange movements on cash	(50)	125,289
Cash and cash equivalents at the end of the financial period	**1,329,503**	**1,655,592**

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Comparative figures have been adjusted to conform with changes in presentation for the current period.

(b) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in an associate is not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The consolidated statement of Profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

When a Group entity transacts with its associate, profits and losses resulting from those transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going concern

The consolidated entity has incurred a net loss after income tax of $3,116,928, had net cash outflows from operations of $827,048 and a working capital deficiency position of $1,689,191 for the half year ended 31 December 2015. It has no ongoing source of operating income and is dependent upon obtaining sufficient funding to meet its exploration expenditure budgets. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The directors are of the opinion that they have adequate financial support from a major shareholder which would allow the Company to operate in a lawful and proper manner and satisfy all third party obligations in full when they become due. Further, contained within the current liabilities of $3,243,354 are amounts owing to Afrimines of $876,243 which can be settled via revenues from future production as well as $1,575,343 which can be settled via the issue of shares in the Company, subject to shareholder approval.

Further capital raisings will be required to allow the consolidated entity to meet all of its planned expenditure and obligations which may arise. Any such fund raisings will be subject to factors beyond the control of the consolidated entity and its directors. If the entity is not successful in raising additional capital, minimum work obligations arising from its interests in exploration tenements will be, subject to negotiation and approval, be varied and/or satisfied by farm-out, joint venture, sale, or relinquishment or surrender of the tenement interests.

The directors believe they will be able to achieve the above mentioned matters and as a result the financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business at the amounts stated in the financial statements.

If the consolidated entity is unable to continue as a going concern it will be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

(d) New accounting standards and interpretations

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. INVESTMENTS

	31 December 2015 $	30 June 2015 $
Investment in joint ventures - Kalongwe Mining	4,233,876	4,219,733
Less share of loss of joint venture	(200,191)	(502,255)
	4,033,685	3,717,478

3. EXPLORATION AND EVALUATION

	31 December 2015 $	30 June 2015 $
Exploration and evaluation expenditure	192,552	131,214

Movements in carrying amounts

Movement in the carrying amounts exploration and evaluation expenditure between the beginning and end of the financial period:

Balance at the beginning of the financial period	131,214	9,086
Additions	61,338	404,751
Impairment of exploration expenditure	-	(282,623)
Balance at the end of the financial period	192,552	131,214

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuation of the consolidated entity's rights to tenure of the interests, results of future exploration and successful development or alternatively, sale of the respective areas of interest.

4. CURRENT LIABILITIES

	31 December 2015 $	30 June 2015 $
Trade payables	189,093	119,820
Accruals and other payables	2,178,018	2,106,686
Trade and other payables	2,367,111	2,226,506

Accruals and other payables includes a payable of $1,575,343 (US$1,150,000) (June 2015: $1,497,396) due to Afrimines Resources SPRL in relation to South Kivu acquisition costs which are able to be settled through the issue of shares in Regal Resources Ltd, subject to shareholder approval.

Borrowings	876,243	788,267

Borrowings of $876,243 (June 2015: $788,267) relates to a loan from Afrimines Resources SPRL and includes interest.

5. ISSUED CAPITAL

	CONSOLIDATED	
	31 December 2015 Number	31 December 2015 $
At the beginning of the financial period	217,045,458	42,748,463
Share placements[1]	900,000	-
Share issue costs	-	(37,045)
At the end of the financial period	217,945,458	42,711,418

[1] On 30 September 2015, Regal issued shares in satisfaction of the payment of the $45,000 establishment fee on the convertible loan to Tembo (Ndovu Capital VI B.V) at a deemed issue price of $0.05 each. The value of these shares was accrued for at 30 June 2015.

	30 June 2015 Number	30 June 2015 $
At the beginning of the financial period (1 January 2015)	150,772,458	39,734,129
Share issue from prior period	2,273,000	-
Share placement	64,000,000	3,200,000
Share issue costs	-	(185,666)
At the end of the financial period	217,045,458	42,748,463

6. CONVERTIBLE LOAN

	31 December 2015 $	30 June 2015 $
Convertible loan	2,500,000	1,500,000

In December 2015, Regal announced amendments to the convertible loan financing facility agreement ("Loan Agreement") with Tembo Capital Mining Fund Group ("Tembo"). An affiliate of Sprott Inc. ("Sprott") (TSX:SII), Exploration Capital Partners 2005 Limited Partnership ("ECP") agreed to provide a further $1 million to Regal and the Loan Agreement, now jointly provided by Ndovu Capital VI B.V. ("Ndovu", an affiliate of Tembo) and ECP, was extended for six months.

7. DISPOSAL OF REGAL SK

Regal SK Joint Venture

Regal has formally terminated its involvement in the Regal SK JV by giving notice to Afrimines that it has withdrawn from the JV in accordance with the terms of the agreement. Since December 2014 Regal has had no formal involvement in the management of Regal SK. Regal has been advised that the DRC's Companies Registry Office in Lubumbashi has registered the transfer of Regal's 50% shareholding in Regal SK to Afrimines. Regal has accounted for the termination of the joint venture on 1 July 2015.

The loss attributable to Owners of Regal Resources Limited is as follows:

	31 December 2015 $
Consideration received	-
Carrying amount of net assets disposed	(70,298)
De-recognition of foreign currency reserve	29,604
De-recognition of NCI	2,056,135
Loss on disposal before tax	2,015,441
Income tax	-
Loss on disposal after tax	2,015,441

8. COMMITMENTS AND CONTINGENT LIABILITIES

In April 2015, the Company entered into a joint venture with Ivanhoe Mines Ltd (TSX:IVN, "Ivanhoe") to earn up to a 98% interest in a package of five highly prospective permits covering an area of approximately 350sq km (ASX:RER 22 April 2015). Regal paid an Initial Signing Fee of USD100,000 and will be required to pay a Subsequent Signing Fee of USD150,000 by 1 July 2016. Regal can earn 80% by expending USD3,000,000 by no later than three years after the Subsequent Signing Fee ("First Earn-In"). Regal can earn 90% by expending a further USD3,000,000 by no later than two years after the First Earn-In ("Second Earn-In").

9. SEGMENT INFORMATION

The consolidated entity operated predominantly in one industry being mining and exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM") in assessing performance and determining the allocation of resources. There is no aggregation of operating segments. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

10. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.