

31 October 2016

ASX Code: **RER**

ACQUISITION, FUNDING AND KEY MANAGEMENT UPDATE

Highlights

- *Regal enters into key agreements for the acquisition of an additional 15% interest in the Kalongwe copper/cobalt project in the Katanga Province, DRC for US\$3 million; the agreement is unconditional and completion is expected to take place shortly*
- *Post completion, Regal will hold 85% of Kalongwe with GICC 10% and DRC Government 5%;*
- *12 month bridge funding for US\$3 million has been secured to fund the consideration for the acquisition; and*
- *Mr Adam Smits appointed chief operating officer and executive director, effective 14 November 2016*

Acquisition of additional interest in Kalongwe Mining SA

Regal Resources Limited (ASX: RER) (the **Company** or **Regal**) is pleased to advise that it has entered into an unconditional agreement with its joint venture partner, La Generale Industrielle et Commerciale au Congo (**GICC**), under which Regal will acquire an additional 15% of the shares (and related shareholder loans) in Kalongwe Mining SA (**Kalongwe Mining**) from GICC, for a total consideration of US\$3 million in cash.

Completion of the acquisition is expected to occur on or about 2 November 2016.

Following completion of the acquisition, Kalongwe Mining, which holds the Kalongwe project, will be held as follows:

- Regal (through Kalongwe Resources Pty Ltd, its wholly owned subsidiary): 85%
- GICC: 10%
- DRC Government: 5%.

Mark Arnesen, the CEO of Regal commented:

"We have today announced two significant events; the first being the increase in Regal's shareholding in the Kalongwe Project to 85 per cent; the second the appointment of Adam Smits as a key member of the new management team.

It was important to be able to execute the share purchase agreement in a short timeframe and without any conditionality and the Tembo facility allowed us to achieve this. Tembo has shown the new management considerable support by providing the financing to enable us to complete this transaction

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and giving us the opportunity to allow the market time to recognise the significance of these two events before raising additional equity.

With these key developments, over the coming months the management team will now be able to focus on the completion of the definitive feasibility study and an accelerated exploration program on the Ivanhoe joint venture."

Tembo Loan Agreement

Regal has entered into a convertible loan agreement (**Loan Agreement**) with Tembo Capital Mining Fund LP (**Tembo**), under which Tembo will advance a US\$3 million loan (**Loan**) to Regal, to fund the acquisition. The Company has today issued a drawdown notice for the full US\$3 million Loan.

The Company intends to repay the Loan through the proceeds of a placement of Regal shares in the course of the next 6 months. Subject to obtaining the necessary shareholder approvals in accordance with the ASX Listing Rules, Tembo will be able to convert such part of the Loan as will enable it to at least maintain its percentage interest in Regal at the same price as any such placement. Consequently, if such shareholder approvals are forthcoming, once the Company raises some US\$1.22 million; if Tembo elects to convert then it would be able to extinguish in full the US\$3 million principal under the Loan.

Tembo is an affiliate of Ndovu Capital VI B.V., the Company's largest shareholder. The Board welcomes the ongoing support of Tembo and Ndovu and entered into the Loan Agreement on the basis that it is considered to be on terms better than those that may be available from third party sources to enable completion of this acquisition in a short timeframe and without any execution risk.

The key terms of the Loan Agreement are as follows:

Amount:	US\$3,000,000
Maturity Date	<p>The Loan including any interest (Loan Amount) is repayable in 12 months' time (Maturity Date).</p> <p>Alternatively, if not previously repaid or converted, Tembo, may subject to the Conversion Approvals (as defined below) being received, elect to convert all or part of the outstanding loan amount into shares, at an issue price equal to a 20% discount to the 20 day volume weighted average price of Regal's shares (VWAP) ending on the day before the Maturity Date</p>
Fundraising	The Company is required to use its reasonable endeavours to raise at least US\$3 million in equity, less any amount of the Loan which Tembo has notified the Company it wishes to convert, by way of a placement to

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	<p>sophisticated or professional investors who are not related parties of the Company, within 6 months of the Loan being drawn-down (Fundraising). Tembo may elect to convert all or part of the outstanding Loan Amount into shares, at an issue price equal to the issue price per share under the Fundraising subject to the Conversion Approvals. If Regal raises some US\$ 1.22 million and Tembo elects to convert in full and obtains the Conversion Approvals then the Company would be able to extinguish the US\$3 million principal in full.</p>
Change of control	<p>If a change of control event occurs, Tembo may elect to require the outstanding loan amount be repaid within 10 business days' notice, or alternatively, subject to the Conversion Approvals, to convert the outstanding Loan Amount into shares. Any such conversion would be at an issue price equal to a 20% discount to the offer price pursuant to the change of control event.</p>
Conversion Approvals	<p>All rights of conversion are subject to the "20% rule" under section 606(1) of the Corporations Act. Consequently Tembo may only convert the outstanding Loan Amount into shares to the extent that the conversion would either maintain Tembo's voting power in Regal, or fall within the "3% creep" provision in item 9 of section 611 of the Corporations Act</p> <p>It is noted that Tembo's current voting power of 61.78% may decrease by a maximum of 2.28% to 59.50% as a result of the recent orders by the Takeovers Panel.</p> <p>If the issue of any shares on conversion would contravene the 20% rule that portion of the outstanding Loan Amount must be settled by a cash repayment.</p>
Shareholder approval:	<p>Shareholder approval for the issue of shares on conversion of the Loan Amount in accordance with the ASX Listing Rules will be sought at an upcoming general meeting, due to be held as soon as practicable, and in any event by no later than 23 December 2016.</p> <p>The Directors consider that shareholder approval under section 208 of the Corporations Act is not required for the Loan as the Loan is on commercial arm's length terms.</p>
Entitlement Offer:	<p>If any Loan Amount remains outstanding in 9 months' time, Regal may in its sole discretion, undertake a renounceable entitlements offer to raise at least the amount necessary to repay the outstanding loan amount.</p>

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	If requested by Regal, Tembo must underwrite or sub-underwrite the entitlement offer. Any such agreement must be on standard market terms and conditions, and the structure must be satisfactory to the parties having regard to Takeovers Panel Guidance Note 17.
Interest:	8% per annum.
Early Repayment:	If completion of the GICC acquisition does not occur within 10 business days the loan must be repaid within a further 10 business days.
Customary provisions:	Customary provisions regarding events of default, undertakings and covenants and representations and warranties have been provided.

Director Appointment

Regal is pleased to announce that Mr Adam Smits has been appointed Chief Operating Officer and Executive Director effective 14 November 2016. Mr Smits will provide technical input to the board whilst leading the development of the company's flagship Kalongwe Cu-Co project

Mr Smits is a mechanical engineer with a successful 20 year career across Australia and for the past 10 years in francophone West Africa where he has held a variety of project development and operational roles, most recently guiding the Sissingue project in Côte d'Ivoire (owned by Perseus Mining Ltd) to construction commencement. An experienced and successful project director, Mr Smits led the successful DFS through to development of TiZir Ltd's US\$650M Grand Côte mineral sands project and played a pivotal role in Mineral Deposits Ltd's US\$330M Sabodala Gold Mine (now owned by Teranga Gold Corporation). Mr Smits has also held roles with Placer Dome Asia Pacific and Lycopodium Engineering.

Regal is delighted to have Mr Smits join the Company at this pivotal time in transition from exploration to development.

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