REGAL
RESOURCES LIMITED

ACN 106 294 106

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CORPORATE DIRECTORY

REGAL RESOURCES LIMITED

Trading on the Australian Securities Exchange with the code ASX:RER

ABN 23 106 294 106

www.regalresources.com.au

DIRECTORS

Mark Arnesen (Chief Executive Officer & Executive Director)
Peter Ruxton (Non-Executive Director)
Simon Dorling (Non-Executive Director)
John Hodder (Non-Executive Director)

COMPANY SECRETARY

Patrick Holywell

REGISTERED & PRINCIPAL OFFICE

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IMPORTANT INFORMATION AND DISCLAIMER

FORWARD LOOKING STATEMENTS

Certain statements made during or in connection with this report contain or comprise certain forward-looking statements regarding Regal's Mineral Resources, exploration operations, project development operations and other economic performance and financial conditions as well as general market outlook. Although Regal believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Regal, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Regal undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.

COMPENTENT PERSON STATEMENT

The information in this document relating to the Kalongwe Cu-Co Deposit resource estimate is extracted from the Company's ASX announcement entitled 'Upgraded JORC Resource at Kalongwe 302,000t Copper and 42,700t Cobalt' dated 5 February 2015 and is available to view on www.regalresources.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

CORPORATE GOVERNANCE STATEMENT

FRAMEWORK AND APPROACH TO CORPORATE GOVERNANCE AND RESPONSIBILITY

The Board of Regal Resources Limited ("Regal" or the "Company") is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the Company's everyday activities **-** values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board is guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations (3rd Edition) in the reporting period.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.regalresources.com.au) and will be lodged together with an Appendix 4G with the ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant disclosures can be found.

The Company's corporate governance policies and charters are available at the Company's website www.regalresources.com.au.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

This Corporate Governance Statement describes Regal's governance practices and notes where they do not comply with the ASX Corporate Governance Principles and Recommendations.

DATE OF THIS STATEMENT

This statement reflects our corporate governance policies and procedures as at 28 September 2016.

DIRECTORS' REPORT

The directors of Regal Resources Limited present their report on the Consolidated Entity consisting of Regal Resources Limited (the "Company") and the entities it controlled at the end of, or during the year ended 30 June 2016 (the "Consolidated Entity" or "Group").

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

MARK ARNESEN
Chief Executive Officer & Executive Director – appointed 12 August 2016

Mr Arnesen has extensive expertise in the structuring and negotiation of finance for major resource projects. He is a Chartered Accountant with over 20 years of experience in the international resources industry, including a role with the Billiton/Gencor group of companies where he was a corporate Treasurer from 1996 to 1998. In 2000, Mr Arnesen joined Ashanti Goldfields Company Ltd as Managing Director - International Treasury and held the position until 2004. From 2004 until 2006, Mr Arnesen worked with Equinox Minerals Ltd and put in place the Lumwana project financing. In 2006, he joined Moto Goldmines Ltd (the Kibali Project in the DRC) as the Financial Director and held the position until the company was taken over by Randgold Resources Ltd (and held through a joint venture with AngloGold Ashanti Ltd) in late 2009. Mr Arnesen has been a Non-Executive Director of Centamin since 2011 and is also the sole director of ARM Advisors Pty Ltd. Previously he served on the boards of Gulf Industrials Ltd, Natasa Mining Ltd and Asian Mineral Resources.

Qualifications: Bachelor of Commerce and Bachelor of Accounting from the University of the Witwatersrand.
Special responsibilities: Chief Executive Officer
Other current directorships in listed entities: N/A
Other directorships in listed entities in the previous three years: Gulf Industrials Ltd

PETER RUXTON
Non-executive Director

Dr Ruxton is a co-founder of Tembo Capital Mining Fund LP, a private equity, mining fund group, which specialises in investment in Africa and other Emerging Markets. He has a strong technical background having spent 35 years in the mining industry, including 15 years as an Exploration Geologist in Australasia with Billiton and Ross Mining. He joined CDC Capital Partners in 2000, later transitioning into Actis, where he became a partner in 2006, working in mining finance in Africa and emerging markets. Dr Ruxton has held a number of directorships, and has served on the boards of two DRC focused exploration and mining companies in recent years.

Qualifications: Bachelor of Science in Geological Sciences from University of Leeds, PhD in Economic Geology from University of Leeds and MBA from the Universities of Manchester and Bangor.
Special responsibilities: N/A
Other current directorships in listed entities: N/A
Other directorships in listed entities in the previous three years: N/A

SIMON DORLING
Non-executive Director

Dr Dorling is an Exploration and Structural Geologist with over 20 years industry experience. He is a Principal Consultant with CSA Global Pty Ltd and for the last 10 years has provided specialist technical support and project management to a variety of clients including Anvil Mining, Tiger Resources, Elemental Minerals and Cameco Australia. For the last seven years he has focused on resources projects, mainly copper/cobalt in Africa, particularly in the DRC and has been involved as a Qualified Person in compiling National Instrument 43-101 and JORC ore resource reports.

Qualifications: MSc in Geology from Friedrich-Wilhelm University in Bonn and PhD in Economic Geology from the University of Western Australia
Special responsibilities: N/A
Other current directorships in listed entities: N/A
Other directorships in listed entities in the previous three years: N/A

JOHN HODDER
Non-executive Director – appointed 7 March 2016

Mr Hodder is a Geologist by background and has spent over 10 years in the mining and oil and gas industries before completing an MBA. He established the Commonwealth Development Corporation (CDC) mining, oil and gas investment department in 1995 and was responsible for its investment activities for some eight years. He has served as a director of a number of junior mining companies and has significant experience in operating and investing in Africa. Mr Hodder also worked at Suncorp and Solaris as a Fund Manager focusing on the resources sector managing an index-linked natural resource portfolio of ~AUD$1.25bn.

Qualifications: B.Sc. in Geological Sciences and a B.Com. in Finance and Commerce from the University of Queensland and MBA at London Business School.
Special responsibilities: N/A
Other current directorships in listed entities: Strandline Resources Ltd
Other directorships in listed entities in the previous three years: N/A

DAVID YOUNG
Non-executive Director – appointed 29 February 2016, resigned 28 July 2016
Managing Director & Chief Executive Officer – resigned 29 February 2016
Mr Young was Managing Director of Tiger Resources Ltd, an ASX and TSX listed exploration company, where he was responsible for identifying and securing a very large early stage exploration project in the Democratic Republic of Congo (DRC), and for overseeing the development of the project into a mining operation within a five year period.

Mr Young has over 30 years of extensive experience in the global resource sector and has a strong track record for significant gold/mineral discoveries in West Africa, Australia and Asia. He also has considerable board and corporate experience that includes capital raising and debt financing.

His latest position was President and Chief Executive Officer of First African Gold Ltd, a private equity financed exploration and development company with multi-commodity exploration projects in the DRC as well as gold projects in Ghana.
Qualifications: MSc in Exploration and Mining Geology from Leicester University and is a member of the Australian Institute of Mining and Metallurgy.
Special responsibilities: Chief Executive Officer
Other current directorships in listed entities: N/A
Other directorships in listed entities in the previous three years: N/A

MARK SAVICH
Non-executive Director & Chairman – resigned 15 January 2016
Mr Savich is a Chartered Financial Analyst (CFA) with over 10 years' experience dealing with the technical and corporate aspects of resource companies, from explorers to producers. Most recently he was a Resource Analyst at Blackswan Equities for the past 5 years and is currently an Executive Director of Agrimin Limited (previously knowns as Global Resources Corporation Ltd).
Qualifications: Bachelor of Commerce (Double Major) from University of Western Australia. Graduate Diploma in Mineral Exploration Geoscience from Curtin University. Completed the Securities & Derivatives Industry Association Accreditation Program, Chartered Financial Analyst Program and the Institute of Chartered Accountants Program.
Special responsibilities: Chairman
Other current directorships in listed entities: Agrimin Ltd
Other directorships in listed entities in the previous three years: N/A

DIRECTORS' REPORT

PRINCIPAL ACTIVIES

During the financial year, the principal continuing activities of the Consolidated Entity consisted of identifying, acquiring interests in and value-adding to mineral exploration and mining opportunities in the Democratic Republic of the Congo ("DRC").

DIVIDENDS

There were no dividends paid or declared during the current or previous financial year.

EARNINGS PER SHARE

Basic and diluted loss per share was 3.38 cents (2015: 2.41 cents).

OPERATING RESULTS

The loss after tax of the Consolidated Entity for the financial year was $7,406,295 (2015: loss of $5,104,302).

REVIEW OF OPERATIONS AND ACTIVITES

The operating loss of the Consolidated Entity for the year ended 30 June 2016 was $7,406,295 (2015: loss of $5,104,302). This loss is largely attributable to:

(i) Finance costs of $2,192,088 (2015: $142,665) being mainly related to the additional recognition of better terms provided to the convertible noteholders than originally agreed (2016: $1,914,286, 2015: nil) as well as interest on convertible notes and a loan with former joint venture partner Afrimines Resources SPRL ("Afrimines")(2016: $277,802, 2015: $142,665).

(ii) Loss on disposal of subsidiaries of $2,015,441 (2015: $7,352). 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 accounted for the termination of the joint venture on 1 July 2015.

(iii) Dispute resolution settlements of $791,657 (2015: nil) as a result of a settlement agreement with Afrimines.

It is noted that the abovementioned numbers, and the financial report, are presented in Australian dollars.

The following is a summary of the Company's interests in projects in the DRC as well as progress made during the year:

<u>Kalongwe Mining JV Project</u>

The Kalongwe deposit is the Company's flagship Project. It is located in the Katanga Province of the DRC and is situated towards the western end of the world-class Central African Copperbelt (Figure 1). It hosts a near-surface oxide JORC resource of 302,000t contained copper and 42,000t contained cobalt (see ASX announcement on 5 February 2015 for further details and relevant disclaimers/disclosures).

DIRECTORS' REPORT

Weathering profile	Domain	Measured	Indicated	Inferred	Total Tonnage (Mt)	Ave. Cu (%)	Ave. Co (%)	Tonnes Cu	Tonnes Co
Oxide	Cu Only[1]	1.24Mt@ 3.35% Cu	2.45Mt @ 2.27% Cu	1.24Mt @ 1.60% Cu	4.94	2.37	-	117,200	-
	Mixed[3]	2.07Mt @ 3.76% Cu	1.67 Mt @ 2.72% Cu	0.35Mt @ 1.98% Cu	4.08	3.19	0.66	130,000	26,800
Primary	Cu Only[1]	-	1.20 Mt@ 2.65% Cu	0.41Mt@ 1.63% Cu	1.61	2.39	-	38,400	-
	Mixed[3]	-	0.51 Mt@ 3.06% Cu	0.03Mt@ 2.22% Cu	0.54	3.02	0.52	16,400	2,800
	Total Cu Domains	**3.31Mt @ 3.61 % Cu**	**5.83 Mt @ 2.55 % Cu**	**2.03Mt @ 1.70% Cu**	**11.17**	**2.70**	***0.27**	**302,000**	**29,700**
Oxide	Co Only[2]	0.37Mt @ 0.66% Co	1.34Mt @ 0.59% Co	0.38Mt @ 0.43% Co	2.09	-	0.57	-	11,900
Primary	Co Only[2]	-	0.18Mt @ 0.53% Co	0.02Mt @ 0.43% Co	0.2	-	0.52	-	1,000
	Total Co Domains	**1.24Mt @ 3.35% Cu**	**2.45 Mt @ 2.27% Cu**	**1.24Mt @ 1.60% Cu**	**2.29**	**-**	**0.57**	**-**	**13,000**

Table 1: Kalongwe Cu-Co Project Mineral Resource Estimate. In accordance with ASX Listing Rule 5.21.4 there has been no change since 30 June 2015.

Notes:

1. The Cu only domains were reported by selecting blocks with Cu >= 0.5%.
2. The Co only domains were reported by selecting blocks with Co >= 0.2%.
3. The Mixed Domains (blocks located within overlapping Cu and Co domains) were reported by selecting blocks with Cu >= 0.5%. The Co grade from these blocks was also reported.

*It is assumed for the purposes of this Mineral Resource that Cu grades in the Co only domains, and Co grades in the Cu only domains are 0%, although low grade mineralisation was recorded in sample assays. Therefore the reported Cu% and Co% grades are diluted, where they are reported in the other domains.

As part of the transactions announced to the ASX on 20 April 2016 and in accordance with the DRC Mining Code, the joint venture partners progressed completion of the transfer of 5% of the share capital of Kalongwe Mining SA ("KMSA") to the DRC Government. Subsequent to the end of the year, Regal announced completion of the transactions with Regal now holding 70%, La Generale Industrielle et Commerciale au Congo ("GICC") 25% and the DRC Government 5% (see matters subsequent further below). Regal and its joint venture partners Traxys Projects L.P. ("Traxys") and GICC also entered into formal Shareholders' Agreement to govern the joint venture conducted through KMSA. Further, KMSA entered into a Marketing Agreement with Traxys for any copper, cobalt, gold, ores, concentrates, metals or solutions originating or produced from the permit held by KMSA.

During late 2015, KMSA 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. It is valid for an initial term of thirty years.

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.

Progress was also made in relation to the phase two metallurgical testwork program being carried out by ALS Metallurgical Laboratory in Perth. Mineralogical characterisation, leachability and density separation testing was conducted on three sample composites. Each of the composite samples reflects one of the three main periods over the LOM (life of mine) when potentially different ore and grade types will be mined. The results of the mineralogical characterisation of copper and cobalt mineralisation is based on a combination of QEMSCAN, X-ray diffraction and SEM-EDS analysis.

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 oxide mineral heterogenite accounts for approximately 95% of the cobalt in the deposit. It displays little or no association with the copper minerals.

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 positive outcome indicating that the oxide ore from the deposit should be amenable to 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.

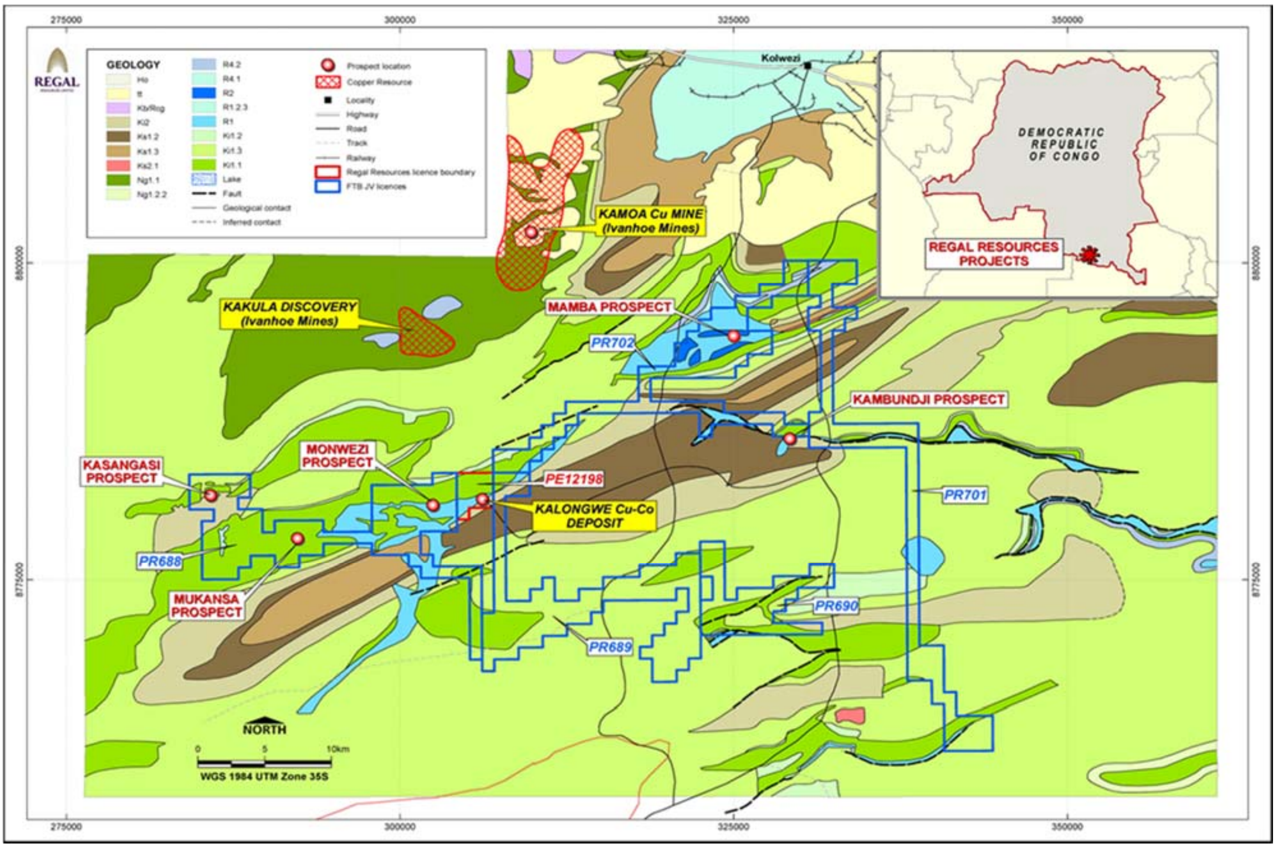

Figure 1: Location map of the Kalongwe Mining JV Project and significant copper deposits and regional towns.

DIRECTORS' REPORT

<u>Fold and Thrust Belt Joint Venture ("FTB JV") Project</u>

The Company has entered into a joint venture agreement with Ivanhoe Mines Ltd (TSX:IVN, "Ivanhoe") to acquire up to a 98% interest in a package of five highly prospective tenements, covering an area of approximately 350 square kilometres, located adjacent to the Kalongwe Project in the Central African Copperbelt, Katanga Province, DRC, (Figure 2) (see ASX announcement on 22 April 2015 for further details and relevant disclaimers/disclosures). The FTB 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.

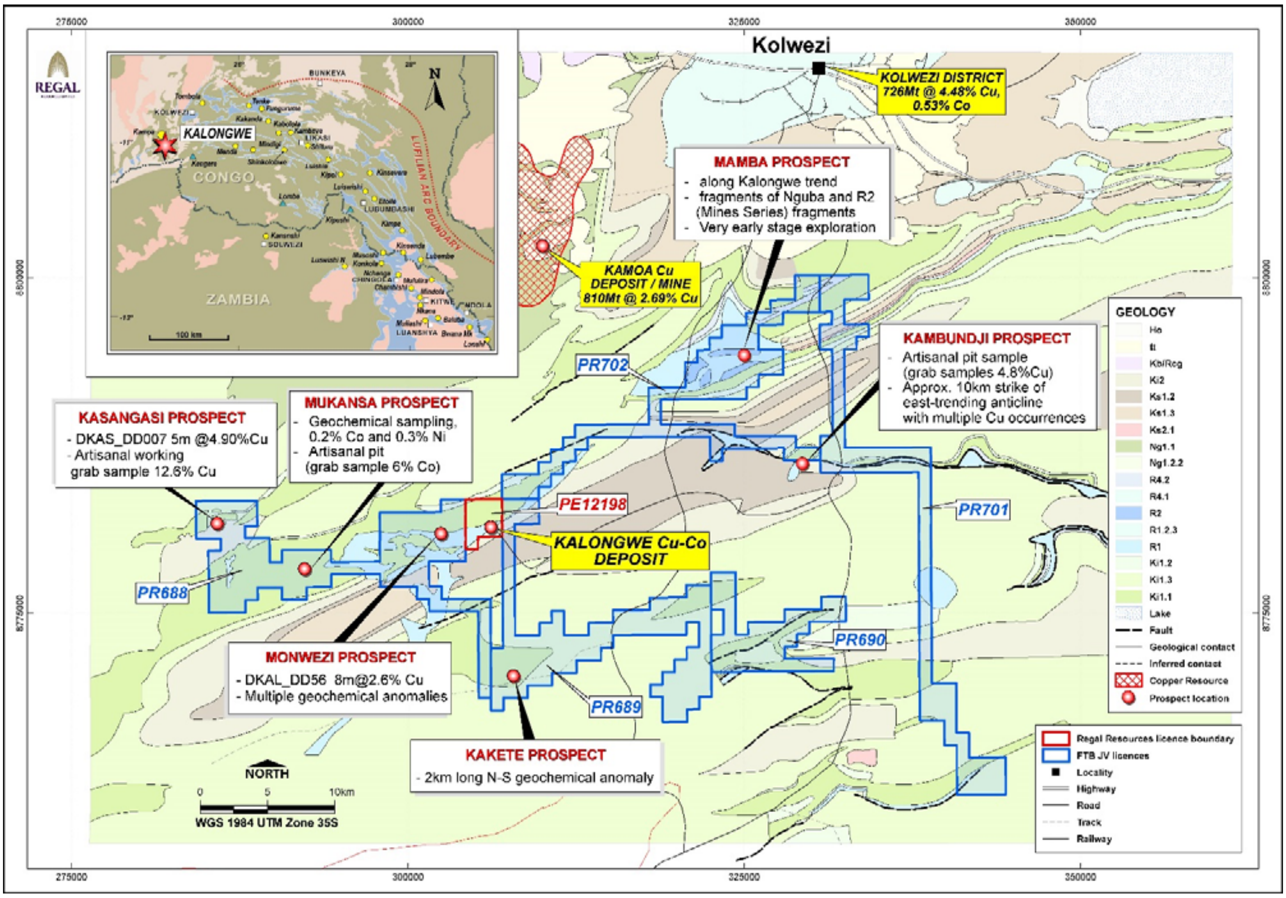

Figure 2: Location map of delineated exploration target within the FTB JV area and exploration highlights.

In early 2016, Regal and Ivanhoe agreed to amend the memorandum of understanding so that the US$150,000 Subsequent Signing Fee be moved to 1 July 2016 (previously April 2016) and the First Earn-In be moved to three years after the payment of the Subsequent Signing Fee (previously April 2018). All other terms remain the same as per the ASX announcement on 22 April 2015. The extension to earn-in dates allows Regal to remain focussed on the corporation transactions discussed above. Towards the end of the financial year, Regal made a US$150,000 payment to Ivanhoe under the memorandum of understanding ("Subsequent Signing Fee") with the First Earn-In required by July 2019.

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

DIRECTORS' REPORT

Interpretation of regional geophysical data indicated that there is stratigraphic continuity across an intensifying structural fabric from the Kamoa region, where Ivanhoe has delineated a major copper deposit, to the Kalongwe-Kolwezi region.

Ivanhoe recently announced on 25 January 2016 that they had made a major new copper discovery, the Kakula discovery 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 hosting significant copper mineralisation in the region.

The Company believes that there is potential in its licence areas for discovery of copper mineralisation of the "Kamoa-type" in the post-Roan strata as highlighted by the Kasangasi prospect (Figure 2).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company completed negotiations with various parties including Traxys Projects L.P. ("Traxys") and GICC in relation to increasing its interest in Kalongwe Mining SA ("KMSA"), and Tembo Capital Group ("Tembo") in relation to further investment. The negotiations resulted in Regal executing the following agreements:

- Agreements with each of Traxys and GICC pursuant to which the Company acquired Traxys' interest and part of GICC's interest in KMSA;
- An agreement with Ndovu Capital VI BV ("Ndovu"), an affiliate of Tembo, to provide the funding necessary for Regal to pay the consideration payable to Traxys and GICC, by way of a placement of approximately US$5.3 million worth of Regal shares;
- An agreement with Ndovu and Exploration Capital Partners 2005 Limited Partnership ("ECP"), an affiliate of Sprott Inc., for the automatic conversion of all convertible loans (approximately A$3.6 million) upon completion of the transactions;
- An agreement with Ndovu to underwrite a rights issue of approximately US$7 million, subject to the above transactions completing; and
- A settlement agreement with former joint venture partner Afrimines Resources SPRL ("Afrimines") and the joint venture vehicle, Regal SK SPRL for US$1.2 million worth of shares in Regal and a US$1.2 million cash payment.

These agreements were subject to a number of conditions precedent which are outlined in the ASX announcement on 20 April 2016, which included the receipt of all necessary shareholder approvals, which were obtained at the general meeting held on 30 June 2016. On 7 July 2016, the Company announced completion of the transactions and as of that date, Regal obtained control of Kalongwe with its 70% holding, its debt under the convertible loan has been extinguished, and it has been released from any claims in relation to its former joint venture with Afrimines.

On 9 August 2016, the Company had accepted applications from its shareholders subscribing for 681,284,328 shares pursuant to their entitlement and additional shares under a one for two fully underwritten non-renounceable rights issue. This resulted in the Company raising approximately $6.81 million. Further, a shortfall of 244,051,820 shares for a further approximately $2.44 million was also raised.

On 22 September 2016, the Australian Government Takeovers Panel ("Panel") received an application concerning Regal's recently completed entitlement offer and the shortfall shares that were issued to Ndovu. Subsequently, Ndovu provided an undertaking to the Panel not to dispose of, transfer, charge or otherwise deal with the shortfall shares issued to it.

On 23 September 2016, the Company resolved to issue 45 million unlisted options exercisable at $0.0137 as part of the employee share option plan which was approved on 30 June 2016.

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are not subject to any significant Australian environmental laws. Kalongwe Mining SA's activities in the DRC, in which the Company is a joint venture partner, are subject to local environmental laws, regulations and permit conditions. There have been no known breaches of environmental laws or permit conditions while conducting operations in the DRC during the 2016 reporting period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The primary objective of the Group is to continue to develop a successful mineral exploration and mining business. The Group is focused on transitioning in the near-term to a copper producer in the DRC.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director while they were a Director or committee member.

	DIRECTORS' MEETINGS	
DIRECTORS	NO. OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED
Mark Arnesen(1)	N/A	N/A
Peter Ruxton	18	18
Simon Dorling	18	14
John Hodder(2)	5	5
David Young(4)	18	16
Mark Savich(3)	9	9

(1) *M.Arnesen was appointed a director on 12 August 2016.*
(2) *J.Hodder was appointed on 7 March 2016.*
(3) *M.Savich resigned on 15 January 2016.*
(4) *D.Young resigned on 28 July 2016.*

As the whole Board consisted of four members or less, the Company does not have an Audit Committee and Remuneration & Nomination Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The tasks undertaken by such Committees are undertaken by the Board as a whole.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ('KMP') of the Group. The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

DIRECTORS' REPORT

DIRECTOR DETAILS

The following persons acted as directors of the Company during or since the end of the financial year:

Executive Director	Mark Arnesen(1)
Non-Executive Director	Peter Ruxton
Non-Executive Director	Simon Dorling
Non-Executive Director	John Hodder(2)
Executive Director/Non-Executive Director	David Young(3)
Non-Executive Director & Chairman	Mark Savich(3)

(1) *M.Arnesen was appointed a director on 12 August 2016.*
(2) *J.Hodder was appointed on 7 March 2016.*
(3) *D.Young resigned as an executive director and became a non-executive director on 29 February 2016. D.Young resigned from Regal on 28 July 2016. M.Savich resigned on 15 January 2016.*

REMUNERATION POLICY

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Entity, as well as create goal congruence between directors, executives and shareholders. The Board is also satisfied that the remuneration policy is compliant with all requirements of the Corporations Act 2001.

The Board manages the remuneration policy, setting the terms and conditions for directors and other senior Executives. Remuneration including share options, performance incentives and fringe benefits may be paid dependent upon individual performance, Company performance, contract terms and the discretion of the Board.

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of relevant experience and skill, whilst incurring costs which are acceptable to shareholders.

USE OF REMUNERATION CONSULTANTS

The Board seeks external remuneration advice when making remuneration decisions. During the financial year ended 30 June 2016, the Board did not receive any final advice from remuneration consultants and did not make any changes to remuneration of directors.

REMUNERATION REPORT APPROVAL AT FY15 ANNUAL GENERAL MEETING (AGM)

The remuneration report for FY15 received positive shareholder support at the FY15 AGM with a vote of 100% in favour.

REMUNERATION OF EXECTUIVE DIRECTORS

The Company aims to reward executive directors with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The objective of the remuneration policy is to:

- Reward executive directors for Company and individual performance;
- Align the interests of executive directors with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

In determining the level and make-up of executive directors' remuneration, the Board reviews reports detailing market levels of remuneration for comparable roles and considers independent external advice. Remuneration currently consists of fixed and variable elements which are dependent on the satisfaction of such performance conditions as may be imposed by the Board.

DIRECTORS’ REPORT

Executive Directors are compensated through a variety of components which include:

- Short term employee benefits;
- Post-employment benefits;
- Other long term benefits;
- Termination benefits; and
- Share-based payments.

The relative weighting of fixed and variable components for target performance is set according to the scope of the individual’s role. The ‘at-risk’ component is linked to those roles in which market value provides reasons to provide some individuals with higher levels of remuneration, while also recognising the importance of providing shareholders with value.

To ensure that fixed remuneration for the Company’s executive directors remains competitive, it is reviewed annually based on performance and market data.

The Board may, from time to time, in its absolute discretion, pay bonuses to executive directors based on performance.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Company’s Constitution provides that non-executive directors may collectively be paid from an aggregate maximum fixed sum out of the funds of Company as remuneration for their services as directors. The Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration amount can only be increased by the passing of an ordinary resolution of shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No independent external advice was obtained during the financial year, however is sought when required. Each director is entitled to receive a fee for being a director of the Company.

Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors’ interests with shareholder interests, directors are encouraged to hold shares in the Company and may be offered share options at the discretion of the Board.

The nature and amount of compensation as detailed in this report reflects the remuneration policy above. Since remuneration is fixed there is no change in remuneration as a result of Consolidated Entity performance during the reporting period.

RETIREMENT BENEFITS OF NON-EXECUTIVE DIRECTORS

Consistent with the ASX Corporate Governance Rules which states that non-executive directors should not be provided with retirement benefits other than statutory superannuation, the Company does not provide retirement benefits to its non-executive directors.

IMPACT OF SHAREHOLDER WEALTH ON KEY MANAGEMENT PERSONNEL REMUNERATION

The Board does not directly base remuneration levels on the Company's share price or movement in the share price over the financial year. However, KMP may receive Incentive Options which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the Incentive Options granted.

DIRECTORS' REPORT

The Board anticipates that, during the Group's exploration and development phases of its business, it will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (e.g. return of capital).

IMPACT OF EARNINGS ON KEY MANAGEMENT PERSONNEL REMUNERATIONS

The Group is currently undertaking exploration and project evaluation activities and does not expect to be undertaking profitable operations until after the successful commercialisation, production and sale of commodities from one or more of its projects. Accordingly, the Board does not consider current or prior year earnings when assessing remuneration of KMP.

GROUP PERFORMANCE

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the last four financial years:

	Year ended			
	30 June 2016 $	30 June 2015 $	30 June 2014 $	30 June 2013 $
Interest revenue	22,403	17,291	15,941	25,330
Other income	-	45	52,081	214
Finance costs	(2,192,088)	(142,665)	(68,132)	(584,190)
Loss on disposal of subsidiaries	(2,015,441)	(7,352)	-	-
Dispute resolution settlements	(791,657)	-	-	-
Impairment expense	(50,529)	(1,014,620)	(13,669,970)	(10,906,421)
Loss before tax	(7,406,295)	(5,104,302)	(15,888,670)	(14,538,082)
Loss after tax	(7,406,295)	(5,104,302)	(15,888,670)	(14,373,445)
Dividends	-	-	-	-
Share price (cents per share)	1.3	3.5	5.7	1.7
Basic and diluted loss per share (cents per share)	(3.38)	(2.41)	(9.30)	(15.30)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each element of the remuneration of each KMP of the Company or Group for the relevant financial year are as follows:

	SHORT TERM BENEFITS		POST-EMPLOYMENT		SHARE BASED PAYMENTS	TOTAL	PERFORMANCE RELATED	
2016 DIRECTORS	**SALARY & FEES ($)**	**NON-MONETARY ($)**	**SUPER-ANNUATION ($)**	**TERMINATION BENEFIT ($)**	**OPTIONS ($)**	**TOTAL ($)**	**FIXED REMUNERATION %**	**LTI %**
EXECUTIVE DIRECTORS								
D.Young[(1)]	200,000	-	-	-	-	200,000	100	-
NON-EXECUTIVE DIRECTORS								
P.Ruxton	39,996	-	-	-	-	39,996	100	-
S.Dorling	39,996	-	-	-	-	39,996	100	-
J.Hodder[(4)]	12,687	-	-	-	-	12,687	100	-
D.Young[(1)(2)]	13,332	-	-	-	-	13,332	100	-
M.Savich[(3)]	19,998	-	-	-	-	19,998	100	-
TOTAL	**326,009**	**-**	**-**	**-**	**-**	**326,009**	**100**	**-**

(1) D.Young resigned as an executive director and became a non-executive director on 29 February 2016.
(2) D.Young resigned as a non-executive director on 28 July 2016.
(3) M.Savich resigned on 15 January 2016.
(4) J.Hodder was appointed on 7 March 2016.

	SHORT TERM BENEFITS		POST-EMPLOYMENT		SHARE BASED PAYMENTS	TOTAL	PERFORMANCE RELATED	
2015 DIRECTORS	**SALARY & FEES ($)**	**NON-MONETARY ($)**	**SUPER-ANNUATION ($)**	**TERMINATION BENEFIT ($)**	**OPTIONS ($)**	**TOTAL ($)**	**FIXED REMUNERATION %**	**LTI %**
EXECUTIVE DIRECTORS								
D.Young	300,000	-	-	-	55,367	355,367	84.4	15.6
NON-EXECUTIVE DIRECTORS								
P.Ruxton	14,685	-	-	-	-	14,685	100	-
S.Dorling	40,000	-	-	-	2,517	42,517	94.1	5.9
M.Savich	42,677	-	-	-	-	42,677	100	-
R.Gillespie[(1)]	80,000	-	-	-	-	80,000	100	-
A.Edgar[(2)]	120,000	-	-	-	-	120,000	100	-
TOTAL	**597,362**	**-**	**-**	**-**	**57,884**	**655,246**	**91.2**	**8.6**

(1) R.Gillespie resigned on 9 June 2015.
(2) A.Edgar resigned on 9 June 2015.

DIRECTORS' REPORT

No options held by Directors and senior management were exercised during the current or previous financial year.

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report/date of resignation.

DIRECTORS	FULLY PAID ORDINARY SHARES	OPTIONS
Mark Arnesen	70,214,757	-
Peter Ruxton	-	-
Simon Dorling	455,000	3,000,000
John Hodder	-	-
David Young[(1)]	3,901,333	10,000,000
Mark Savich[(2)]	550,000	-

[(1)] *D.Young resigned on 28 July 2016.*
[(2)] *M.Savich resigned on 15 January 2016.*

The number of ordinary shares of the Company held, directly, indirectly or beneficially, by each director, including their personally-related entities for the year ended 30 June 2016 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2015	ON MARKET PURCHASES DURING THE YEAR	OTHER CHANGES	BALANCE AT APPOINTMENT	HELD AT 30 JUNE 2016/ RESIGATION DATE
D.Young	3,901,333	-	-	-	3,901,333
P.Ruxton	-	-	-	-	-
S.Dorling	455,000	-	-	-	455,000
J.Hodder	-	-	-	-	-
M.Savich[(1)]	550,000	-	-	-	550,000
TOTAL	**4,906,333**	**-**	**-**	**-**	**4,906,333**

[(1)] *M.Savich resigned on 15 January 2016.*

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

No options were granted as remuneration during the period. The number of options of the Company held, directly, indirectly or beneficially, by each director, including their personally-related entities for the year ended 30 June 2016 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2015	RECEIVED AS PART OF REMUNERATION	EXPIRED DURING THE YEAR	BALANCE AT APPOINTMENT	HELD AT 30 JUNE 2016/ RESIGATION DATE
D.Young	10,000,000	-	-	-	10,000,000
P.Ruxton	-	-	-	-	-
S.Dorling	3,000,000	-	-	-	3,000,000
J.Hodder	-	-	-	-	-
M.Savich(1)	-	-	-	-	-
TOTAL	**13,000,000**	**-**	**-**	**-**	**13,000,000**

(1) *M.Savich resigned on 15 January 2016.*

OTHER TRANSACTIONS AND BALANCES WITH KMP AND THEIR RELATED PARTIES

Certain KMP, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities, and transacted with the Group during the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. There have been no guarantees received for any related party payables.

Transactions during the 2016 financial year relating to KMP and their related entities over which they have control or significant influence are outlined below:

KMP and their director related entity	Transaction	Transaction value for year ended 30 June 2016 $	Balance outstanding as at 30 June 2016 $
Peter Ruxton			
Ndovu Capital VI B.V.	Convertible loan establishment fees	80,477	-
Ndovu Capital VI B.V.	Convertible loan interest	104,772	104,772
Ndovu Capital VI B.V.	Convertible loan finance costs	1,200,000	1,200,000
Ndovu Capital VI B.V.	Convertible loan funding	1,182,577	2,682,577

KEY TERMS OF EMPLOYMENT CONTRACTS

It is Group policy that service contracts for directors be entered into. A service contract with an executive director provides for the payment of benefits where the contract is terminated by the entity or the individual. Executive directors would also be entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

At any time, the service contract can be terminated either by the entity or the executive director providing notice for a period of time in line with market practice at the time the terms are agreed. The Company may make a payment in lieu of notice for the same period of time.

An executive director would have no entitlement to termination payment in the event of removal for misconduct. As at reporting date, there were no executive directors. As at reporting date, key terms of non-executive directors' contract were as follows:

- Term of agreement: in effect until terminated in accordance with the agreement.
- Contracted on an annual fixed remuneration basis.
- No entitlement to a retirement allowance.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

BDO Corporate Finance (WA) Pty Ltd, a related party of BDO Audit (WA) Pty Ltd, received fees totaling $37,675 for non-audit services provided during the year. In the previous year, BDO East Coast Partnership received fees totaling $60,430 and Ernst and Young received fees totaling $17,673.

The Board of the Company has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors,

Mark Arnesen
Chief Executive Officer
28 September 2016

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF REGAL RESOURCES LIMITED

As lead auditor of Regal Resources Limited for the year ended 30 June 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of Regal Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Regal Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Regal Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Regal Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Dean Just
Director

Perth, 28 September 2016

DIRECTORS’ DECLARATION

The Directors declare that:

The financial statements and notes, as set out on pages 22 to 51 are in accordance with the Corporations Act 2001 including:

- In the directors’ opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- In the directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group and the Company;
- In the directors’ opinion, the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 1 to the financial statements; and
- The Directors have been given the declarations required by section 295A of the Corporations Act 2001 by the Chief Executive Officer and the Chief Financial Officer.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors,

Mark Arnesen
Chief Executive Officer
28 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	2015 $
Interest income		22,403	17,336
Expenses			
Consulting expense		(124,070)	(342,143)
Depreciation and amortisation		-	(51,696)
Employee benefits expense	3	(707,644)	(729,305)
Finance cost	3	(2,192,088)	(142,665)
Foreign exchange loss		(133,249)	(404,631)
Impairment expense	3	(50,529)	(1,014,620)
Dispute resolution settlements		(791,657)	-
Loss on disposal of subsidiary	22	(2,015,441)	(7,352)
Occupancy expenses		(18,431)	(60,798)
Other corporate administration expenses		(988,821)	(916,497)
Rehabilitation		-	(58,850)
Share based payments		-	(57,884)
Share of net loss of associate	9	(465,067)	(502,255)
Site care and maintenance costs		58,299	(832,942)
Loss before income tax benefit		**(7,406,295)**	**(5,104,302)**
Income tax benefit	4	-	-
Net loss after income tax for the year		**(7,406,295)**	**(5,104,302)**
Net loss for the year is attributable to:			
Non-controlling interest		-	(630,634)
Owners of Regal Resources Limited		(7,406,295)	(4,473,668)
		(7,406,295)	**(5,104,302)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Effects of foreign currency translation		(6,469)	361,387
Other comprehensive income/(loss) for the year, net of tax		(6,469)	361,387
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		-	(463,885)
Owners of Regal Resources Limited		(7,412,764)	(4,279,030)
		(7,412,764)	**(4,742,915)**
Loss per share	**Note**	**Cents**	**Cents**
Basic and diluted loss per share	5	(3.38)	(2.41)

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Consolidated 2016 $	2015 $
Current assets			
Cash and cash equivalents	6	823,465	1,597,497
Trade and other receivables	7	85,399	87,608
Other current assets	8	-	23,257
Total current assets		**908,864**	**1,708,362**
Non-current assets			
Investments accounted for using the equity method	9	4,267,704	3,717,478
Available-for-sale financial assets	10	-	93,000
Exploration and evaluation	11	412,065	131,214
Total non-current assets		**4,679,769**	**3,941,692**
Total assets		**5,588,633**	**5,650,054**
Current liabilities			
Trade and other payables	12	3,296,861	2,226,506
Borrowings	13	876,243	788,267
Total current liabilities		**4,173,104**	**3,014,773**
Total liabilities		**4,173,104**	**3,014,773**
Net assets		**1,415,529**	**2,635,281**
Equity			
Issued capital	14	42,788,896	42,748,463
Convertible loan	15	5,596,863	1,500,000
Reserves	16	(6,468)	14,151,983
Accumulated losses		(46,963,762)	(53,738,634)
Equity attributable to owners		1,415,529	4,661,812
Non-controlling interest	17	-	(2,026,531)
Total equity		**1,415,529**	**2,635,281**

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital	Convertible Loan	Reserves	Accumulated Losses	Non-controlling Interest	Total Equity
	$	$	$	$	$	$
Consolidated balance at 1 July 2015	42,748,463	1,500,000	14,151,983	(53,738,634)	(2,026,531)	2,635,281
Loss after income tax benefit for the year	-	-	-	(7,406,295)	-	(7,406,295)
Other comprehensive loss for the year, net of tax	-	-	(6,469)	-	-	(6,469)
Total comprehensive loss for the year	-	-	(6,469)	(7,406,295)	-	(7,412,764)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	40,433	-	-	-	-	40,433
Share-based payments	-	-	-	-	-	-
Convertible Loan Agreement	-	4,096,863	-	-	-	4,096,863
Changes in ownership interests in subsidiaries:						
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
Transfer of ownership dilution reserve on disposal of non-controlling interest	-	-	(6,768,199)	6,768,199	-	-
Transfer of option reserve on vested share options	-	-	(7,412,968)	7,412,968	-	-
Consolidated balance at 30 June 2016	42,788,896	5,596,863	(6,468)	(46,963,762)	-	1,415,529

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital	Convertible Loan	Reserves	Accumulated Losses	Non-controlling Interest	Total Equity
	$	$	$	$	$	$
Consolidated balance at 1 July 2014	39,734,129	-	13,899,460	(49,264,966)	(1,503,771)	2,864,852
Loss after income tax benefit for the year	-	-	-	(4,473,668)	(630,634)	(5,104,302)
Other comprehensive loss for the year, net of tax	-	-	194,639	-	166,748	361,387
Total comprehensive loss for the year	-	-	194,639	(4,473,668)	(463,886)	(4,742,915)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	3,014,334	-	-	-	-	3,014,334
Share-based payments	-	-	57,884	-	-	57,884
Convertible Loan Agreement	-	1,500,000	-	-	-	1,500,000
Changes in ownership interests in subsidiaries:						
Sale of subsidiary	-	-	-	-	(58,874)	(58,874)
Consolidated balance at 30 June 2015	42,748,463	1,500,000	14,151,983	(53,738,634)	(2,026,531)	2,635,281

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Interest received		9,023	19,293
Payments to suppliers and employees		(1,451,364)	(2,443,475)
Net cash (used) in operating activities	18	(1,442,341)	(2,424,182)
Cash flows from investing activities			
Proceeds from deposits		-	99,719
Payments for investments		(1,015,293)	(2,762,054)
Proceeds from asset disposals		79,517	-
Payment of cash upon disposal of subsidiaries		(200,924)	-
Payments for exploration and evaluation		(280,854)	(458,829)
Net cash (used) in investing activities		(1,417,554)	(3,121,164)
Cash flows from financing activities			
Proceeds from issue of shares		-	3,059,334
Share issue transaction costs		(4,565)	-
Proceeds from convertible notes		2,100,000	1,500,000
Net cash from financing activities		2,095,435	4,559,334
Net (decrease) in cash and cash equivalents		(764,460)	(986,012)
Cash and cash equivalents at the beginning of the financial year		1,597,497	2,426,497
Effects of foreign exchange movements on cash		(9,572)	157,012
Cash and cash equivalents at the end of the financial year	6	823,465	1,597,497

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Australian Accounting Standards set out accounting policies that result in the presentation of reliable and relevant information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements were authorised for issue by the directors on 28 September 2016. The directors have the power to amend and reissue the consolidated financial statements.

BASIS OF PREPARATION OF THE FINANCIAL REPORT

The financial report has been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as disclosed in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2.

GOING CONCERN BASIS

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss before income tax of $7,406,295 and had a cash balance of $823,465. However, as disclosed in more detail in Note 27 (Significant events after the reporting date), the company raised US$5.3 million via a placement and a further approximate A$9.25 million via a one for two fully underwritten non-renounceable rights issue.

The funds raised under the rights issue are intended to be used to fund the definitive feasibility study for the Kalongwe Project, undertake exploration pursuant to the Company's earn-in agreement with Ivanhoe Mines Ltd, pay the cash portion of the settlement payment to Afrimines and Regal SK, and provide the Company with working capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

(A) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in throughout the notes.

Exploration and evaluation

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.

In accordance with accounting policy note 1(g), management determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made.

Carrying value of non-current assets subject to impairment testing

The Group considers annually whether there has been any indicators of impairment and then tests whether non-current assets, including investments in associates, and property, plant and equipment, have suffered any impairment. These calculations require the use of assumptions.

Loans advanced to the associate for exploration activities are recognised as investments in the associate when repayment is not expected to occur in the short term. The recoverability of the investment is assessed against the fair value less costs of disposal. The valuation (level three under the fair value hierarchy) was undertaken in April 2016 by an independent valuation consultant. The fair value clearly exceeds the carrying amount on this assessment.

Compound financial instruments

Compound financial instruments representing convertible notes issued by the Group are recognised in equity upon initial recognition. This is based on the Group's ability and intention to convert the note to equity. Costs related to modifications of preceding convertible note agreements to facilitate further funding is treated as a finance cost and recognised in the profit or loss as incurred.

Tax losses

Unused tax losses have not been recognised as a deferred tax asset as the future recovery of those losses is subject to the Group satisfying the requirements imposed by the regulatory taxation authorities. The amount of unrecognised carry forward tax losses is based on management's assessment of their ability to meet the same business or the modified continuity of ownership test. The benefits of these deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as "Group" in these financial statements). Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(C) SEGMENT REPORTING

An operating segment is identified as the component of the Group that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(D) INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(E) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(F) JOINT VENTURES

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group’s share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of comprehensive income.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(G) INVESTMENT IN ASSOCIATES

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 reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(H) EXPLORATION AND EVALUATION ASSETS

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

- It is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and/or
- Exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off or provided against.

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit and loss account.

(I) IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(J) INTEREST INCOME

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(K) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life as follows:

- Motor vehicle: 4 years
- Plant and equipment: 3-5 years
- Computer equipment: 2-3 years

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(L) FOREIGN CURRENCY TRANSLATION

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

<u>Foreign currency transactions</u>

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

<u>Foreign operations</u>

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rate, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(M) SHARE-BASED PAYMENTS

Equity-settled share-based payments in return for goods and services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(N) EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(O) CASH AND CASH EQUIVALENTS

For the purpose of presentation in consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to significant risk of changes in value, and bank overdrafts.

(P) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and, other than those that meet the definition of equity instruments, are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debts. Loss events include financial difficulty or bankruptcy of the debtor, significant delay in payments and breaches of contracts. The impairment loss, measured as the difference between the debt's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate, is recognised in profit or loss. When the debt becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

(Q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(R) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(S) BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(T) EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The short-term employee benefit obligations are presented as payables.

(U) ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(V) COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes that can be converted to a fixed number of ordinary shares at the option of the company and are recognized in equity. Any directly attributable transaction costs are allocated to the liability and equity components in-line with the Group's policy on issued capital.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized unless there is a change to the contractual arrangement governing the convertible notes.

(W) NEW AND REVISED ACCOUNTING STANDARDS

<u>Standards affecting amounts reported and/or disclosures in the consolidated financial statements</u>

The Group 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 Group.

<u>New Accounting Standards and Interpretations not yet mandatory or early adopted</u>

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

TITLE OF STANDARD	NATURE OF CHANGE	IMPACT	MANDATORY APPLICATION DATE/ DATE OF ADOPTION BY GROUP
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	There will be no impact on the Group's accounting for financial assets and financial liabilities as the new requirements only affect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2018. Application date for the company will be 30 June 2019. The company does not currently have any hedging arrangements in place.
AASB 15 (issued June 2014) Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	The Group currently raises a provision approximating to unearned revenue at reporting dates.	Must be applied for annual reporting periods beginning on or after 1 January 2018. Application date for the company will be 30 June 2019.
AASB 16 Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases.	AASB 16 requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.	Must be applied for annual reporting periods beginning on or after 1 January 2019. Application date for the company will be 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION

The consolidated entity operated 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.

NOTE 3: EXPENSES

Loss before income tax includes the following specific expenses:

	Consolidated	
	2016	**2015**
	$	**$**
Impairment		
Available for sale financial assets	22,124	(22,800)
Exploration expenditure	4,844	282,623
Intangible assets	-	16,555
Property, plant and equipment	23,561	248,973
Trade and other receivables	-	489,269
Employee benefits expenses		
Wages and salaries	697,622	729,305
Superannuation	10,022	-
Finance costs		
Convertible note*	1,914,286	-
Interest paid/payable	277,802	142,665

***** Convertible note finance costs relate to the recognition of better terms provided to convertible noteholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: INCOME TAX BENEFIT

	Consolidated	
	2016	**2015**
	$	**$**
Reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(7,406,295)	(5,104,302)
Tax at the statutory tax rate of 30%	(2,221,889)	(1,531,290)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
– Tax effect of permanent differences	1,142,775	(49,097)
– Unused tax losses and temporary differences not recognised as deferred tax assets in Australia	939,594	949,759
– Unused tax losses and temporary differences not recognised as deferred tax assets from overseas	-	616,781
– Share based payments	-	17,365
– Share of loss of Associate	139,520	150,677
– Difference in overseas tax rates	-	(154,195)
Income tax benefit	-	-
Deferred tax assets not recognised and comprising temporary differences attributable to:		
Tax losses - revenue	11,827,264	9,358,282
Temporary differences	704,594	2,391,986
Total deferred tax assets not recognised	12,531,858	11,750,268

NOTE 5: EARNINGS PER SHARE

	2016	**2015**
	$	**$**
RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE:		
Loss attributable to owners of the Company	(7,406,295)	(4,473,668)
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares for the purposes of basic loss per share	219,297,645	185,666,228

As the Company has made a loss for the year ended 30 June 2016, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	**2015**
	$	**$**
Cash at bank	823,465	1,597,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	$	$
Other deposits	13,775	54,179
GST/VAT receivable	71,624	33,429
	85,399	87,608

NOTE 8: OTHER CURRENT ASSETS

	Consolidated	
	2016	2015
	$	$
Prepayments	-	23,257
	-	23,257

NOTE 9: INVESTMENT IN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2016	2015
	$	$
Equity investments	-	-
Loans to associate accounted for as net investment	4,732,771	4,219,733
Less share of loss	(465,067)	(502,255)
	4,267,704	3,717,478

Refer to Note 21: Interest in associate for further details.

NOTE 10: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2016	2015
	$	$
Listed shares, at fair value	-	93,000

NOTE 11: EXPLORATION AND EVALUATION

	Consolidated	
	2016	2015
	$	$
Exploration and evaluation expenditure	412,065	131,214

Reconciliations of the written down values are as follows:

	Consolidated
	$
Balance at 1 July 2014	9,086
Additions	404,751
Impairment of assets	(282,623)
Balance at 1 July 2015	131,214
Additions	280,851
Impairment of assets	-
Balance at 30 June 2016	412,065

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated	
	2016	2015
	$	$
Trade payables	424,628	119,820
Accruals and other payables	2,080,576	2,106,686
Dispute resolution settlements accrual	791,657	-
	3,296,861	2,226,506

As announced to the ASX in April 2016 and further to previous ASX announcements, the Company formally terminated its involvement in the joint venture with Afrimines Resources SPRL ("Afrimines") conducted through Regal SK SPRL ("Regal SK"). Regal has carried forward deferred consideration of as part of accruals and other payables ($1,575,343 (2015: $1,497,396)) and borrowings (Note 13) which together combine to amounts owing to Afrimines of $2,451,586 (2015: $2,285,663). Regal executed a deed of settlement and release with Afrimines and Regal SK whereby the Company will issue to Afrimines, or its nominee, US$1.2 million worth of shares at a deemed issue price of A$0.01 per share and pay Afrimines US$1.2 million in cash, in settlement of claims regarding previous joint venture expenditures. The dispute resolution settlements accrual of $791,657 relates to the extra provision necessary.

NOTE 13: BORROWINGS

	Consolidated	
	2016	2015
	$	$
Loan – Afrimines Resources SPRL	876,243	788,267

The loan from Afrimines Resources SPRL includes capitalised interest and a foreign exchange adjustment to 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: ISSUED CAPITAL

	2016		2015	
	Number of shares	**$**	**Number of shares**	**$**
Fully paid ordinary shares	223,459,096	42,788,896	217,045,458	42,748,463

2016 Fully paid ordinary shares	**Number of shares**	**$**
Balance at 1 July 2015	217,045,458	42,748,463
Issue of shares	6,413,638	44,998
Capital raising costs	-	(4,565)
Balance at 30 June 2016	223,459,096	42,788,896

2015 Fully paid ordinary shares	**Number of shares**	**$**
Balance at 1 July 2014	150,772,458	39,734,129
Issue of shares	66,273,000	3,200,000
Capital raising costs	-	(185,666)
Balance at 30 June 2015	217,045,458	42,748,463

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote, in proportion to the number of and amounts paid on the shares held.

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group looks to raise capital when an opportunity to invest in, or explore a project is seen as value adding relative to the Parent Entity's share price at the time of investment.

	Number of Options	
	2016	**2015**
Movement in options		
Balance at the beginning of the financial year	86,000,000	22,000,000
Issue of options	-	64,000,000
Options exercised during the year	-	-
Options lapsed during the year	-	-
Balance at end of financial year	86,000,000	86,000,000

All options on issue are exercisable on a 1:1 basis for the Company's ordinary shares and carry no rights to dividends and no voting rights. Options are at an exercisable price and expiry date as follows:

Number of options	Exercise price (cents)	Expiry date
18,900,000	8	28/10/2017
22,000,000	8	31/10/2017
21,100,000	8	2/12/2017
24,000,000	8	10/2/2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: CONVERTIBLE LOAN

	Consolidated	
	2016	**2015**
	$	**$**
Convertible Loan	5,596,863	1,500,000

In June 2015, Regal entered into a A$1.5 million convertible loan financing agreement ("Loan Agreement") with Ndovu Capital VI B.V. ("Ndovu", an affiliate of Tembo Capital Mining Fund Group ("Tembo")). The loan was unsecured, for a six month term, accrued interest at a rate of 10% per annum and allowed the lender the right to convert outstanding monies into Regal shares at a conversion price of A$0.05 per share (subject to the receipt of shareholder approval). An establishment fee of 3% payable in shares was paid to the lender and a further 30,000,000 unlisted options exercisable at A$0.06 per share for a period of 5 years from issue date also payable.

In December 2015, Regal announced amendments to the Loan Agreement. 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 and ECP, was extended for six months. The conversion price was also reduced to A$0.035 per share and the lenders were to be granted security over both Regal's assets and shares in Kalongwe Mining SA.

In April 2016, Regal announced further amendments to the Loan Agreement with Ndovu providing additional bridge funding of A$1.1 million with a conversion at A$0.035 or A$0.01 to fund Regal through to completion of the transactions announced in April 2016. Shareholder approval for the conversion was obtained 30 June 2016 and the conversion occurred in July 2016 (refer to Note 27).

NOTE 16: RESERVES

	Consolidated	
	2016	**2015**
	$	**$**
Foreign currency reserve	(6,468)	(29,184)
Ownership dilution reserve	-	6,768,199
Options reserve	-	7,412,968
	(6,468)	14,151,983

	Ownership dilution	**Foreign currency**	**Options reserve**	**TOTAL**
	$	**$**	**$**	**$**
Balance at 1 July 2014	6,768,199	(223,823)	7,355,084	13,899,460
Share based payments	-	-	57,884	57,884
Foreign currency translation	-	194,639	-	194,639
Balance at 30 June 2015	6,768,199	(29,184)	7,412,968	14,151,983
Foreign currency translation	-	22,716	-	22,716
Transfer to accumulated losses	(6,768,199)	-	(7,412,968)	(14,181,167)
Balance at 30 June 2016	-	(6,468)	-	(6,468)

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations that do not use Australian Dollars as their functional currency. It is also used to recognise gains and losses arising from hedges on the net investments in foreign operations.

The options reserve is used to recognise the fair value of shares/options issued.

The ownership dilution reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control.

NOTE 17: NON-CONTROLLING INTEREST

	Consolidated	
	2016	2015
	$	$
Contributed equity	-	5,585,687
Foreign currency reserve	-	(29,184)
Accumulated losses	-	(7,583,034)
	-	(2,026,531)

NOTE 18: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2016	2015
	$	$
Loss after income tax benefit for the year	(7,406,295)	(5,104,302)
Adjustments for:		
Depreciation and amortisation	-	51,696
Finance cost	1,914,286	-
Impairment of available for sale assets	22,124	-
Impairment of exploration	4,844	282,623
Impairment of intangible assets	-	16,555
Impairment of property, plant and equipment	23,561	248,973
Impairment of trade and other receivables	-	489,269
Interest accrued	277,802	142,665
Loss on foreign exchange	133,249	404,631
Loss on disposal of subsidiary	2,015,441	7,352
Reversal of impairment of available for sale assets	-	(22,800)
Share based payments	-	57,884
Share of net loss of associate	465,067	502,255
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	2,209	4,217
Decrease/(increase) in other current assets	23,257	17,227
Increase/(decrease) in trade and other payables	1,082,114	477,573
Net cash (used in) operating activities	(1,442,341)	(2,424,182)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: PARENT ENTITY INFORMATION

	Consolidated	
	2016	**2015**
	$	**$**
Current assets	801,810	1,477,678
Total assets	7,486,271	5,344,215
Current liabilities	4,149,581	1,920,667
Total liabilities	4,149,581	2,708,934
Equity		
Issued capital	42,788,895	42,748,460
Convertible loan	5,596,863	1,500,000
Reserves	7,412,967	7,412,967
Accumulated losses	(52,462,034)	(49,026,146)
Total equity	3,336,691	2,635,281
Loss after income tax	(4,957,383)	(4,801,790)
Total comprehensive loss	(4,957,383)	(4,801,790)

NOTE 20: SUBSIDIARIES

		Equity holding	
		2016	**2015**
Name of entity	**Country of incorporation**	**%**	**%**
Kalongwe Holdings Ltd	British Virgin Islands	100	-
Kalongwe Holdings No 2 Ltd	British Virgin Islands	100	-
Kalongwe Holdings No 3 Pty Ltd	Australia	100	-
Kalongwe Resources Pty Ltd	Australia	100	-
Western Victoria Energy Pty Ltd	Australia	100	100
Magma Oil Pty Ltd	Australia	100	100
Katanga Mining Consultants (Pty) Ltd	South Africa	100	-
Enhanced Biogenic Methane Pty Ltd	Australia	-	100
Regal SK SPRL	Democratic Republic of Congo	-	50

NOTE 21: INTEREST IN ASSOCIATE

		Equity holding	
		2016	**2015**
Name of associate	**Country of incorporation**	**%**	**%**
Kalongwe Mining SA	Democratic Republic of Congo	30	30

The financial information disclosed reflects the amounts presented in the financial statements of Kalongwe Mining SA and not the Company's share of those amounts. It has been amended to reflect adjustments made by the entity when using the equity method, including modification for differences in accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summarised financial information is as follows:

	Consolidated	
	2016	2015
	$	$
Summarised statement of financial position		
Cash and cash equivalents	89,422	263,780
Other current assets	518,811	440,927
Non-current assets	4,429,093	3,729,769
Total assets	5,037,326	4,434,476
Current liabilities	155,277	232,520
Non-current liabilities	8,535,408	6,509,559
Total liabilities	8,690,685	6,742,079
Net assets	(3,653,359)	(2,307,603)
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	-
Depreciation and amortisation expense	(132,334)	(56,020)
Employee and administration expenses	(1,154,416)	(1,618,163)
Loss before income tax	(1,286,750)	(1,674,183)
Income tax expense	-	-
Loss after income tax	(1,286,750)	(1,674,183)
Other comprehensive income	-	-
Total comprehensive loss	(1,286,750)	(1,674,183)
Reconciliation of the consolidated entity's carrying amount		
Opening carrying amount	3,717,478	1,457,677
Loans to associates accounted for as net investments	1,015,293	2,762,056
Share of loss after income tax (after foreign exchange adjustment)	(465,067)	(502,255)
Closing carrying amount	4,267,704	3,717,478

NOTE 22: DISPOSAL OF REGAL SK

Regal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summarised financial information is as follows:

	Consolidated 2016 $	2015 $
Summarised statement of financial position		
Cash and cash equivalents	-	200,924
Other current assets	-	-
Non-current assets	-	-
Total assets	-	200,924
Current liabilities	-	270,803
Non-current liabilities	-	4,334,489
Total liabilities	-	4,605,292
Net assets	-	(4,404,368)
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	-
Expenses	-	(1,336,633)
Loss before income tax	-	(1,336,633)
Income tax expense	-	-
Loss after income tax	-	(1,336,633)
Other comprehensive income	-	166,749
Total comprehensive loss	-	(1,169,884)

The loss attributable to Owners of the Company is as follows:

	2016 $
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: COMMITMENTS

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 a Subsequent Signing Fee of USD150,000. 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").

NOTE 24: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at reporting date.

NOTE 25: DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

NOTE 26: RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS WITH RELATED PARTIES

The Group acquired the following goods and services:

	Consolidated	
	2016	**2015**
	$	**$**
Payments to Arunta Resources Ltd (a company related to A.Edgar) for rent and administration services	-	66,992
Payments to David Young for rental and office support costs	-	26,228
Purchases from Ndovu Capital (a company related to P.Ruxton) for the convertible loan establishment fee	80,477	-
	80,477	93,220

All transactions were made on normal commercial terms and conditions and at market rates.

(B) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The aggregate compensation made to key management personnel of the Group is set out below:

	Consolidated	
	2016	**2015**
	$	**$**
Short-term employee benefits	326,009	597,362
Post-employment benefits	-	-
Share-based payments	-	57,884
	326,009	655,246

The short-term employee benefits are recognised in both the statement of profit or loss and other comprehensive income as an expense, and the statement of financial position as an exploration and evaluation asset, depending upon the work activity undertaken. The compensation of each member of the key management personnel of the Group is set out in the Remuneration Report on page 14 of this Annual Report. The remuneration of directors and key executives is determined by the Board having regard to the performance of individuals and market trends.

Ndovu Capital VI B.V. ("Ndovu") of which Peter Ruxton is a director of, was involved in the following transactions:

- 1,356,495 shares were issued to Ndovu on 6 January 2016 in consideration for the establishment fee payable on the $1,582,577 loan advanced by Ndovu under the Convertible Loan Agreement (including $82,577 of capitalised interest) (at a deemed issue price of $0.035 per share).
- 3,300,000 shares were issued to Ndovu on 4 May 2016 in consideration for the establishment fee payable on the additional $1,100,000 Bridge Loan advanced by Ndovu under the Convertible Loan Agreement (at a deemed issue price of $0.01 per Share).

All transactions were made on normal commercial terms and conditions and at market rates.

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

	Consolidated	
	2016	**2015**
	$	**$**
Purchases from Ndovu Capital (a company related to P.Ruxton) for the convertible loan establishment fee	-	45,000
Purchases from Ndovu Capital for interest on the convertible loan	104,772	11,507
Finance costs related to the additional recognition of better terms provided to the convertible noteholders than originally agreed	1,200,000	-
Convertible loan funding from Ndovu Capital	2,682,577	1,500,000
	3,987,349	1,556,507

All the outstanding balances with related parties are included in trade and other payables.

NOTE 27: SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The Company completed negotiations with various parties including Traxys Projects L.P. ("Traxys") and GICC in relation to increasing its interest in Kalongwe Mining SA ("KMSA"), and Tembo Capital Group ("Tembo") in relation to further investment. The negotiations resulted in Regal executing the following agreements:

- Agreements with each of Traxys and GICC pursuant to which the Company acquired Traxys' interest and part of GICC's interest in KMSA;
- An agreement with Ndovu Capital VI BV ("Ndovu"), an affiliate of Tembo, to provide the funding necessary for Regal to pay the consideration payable to Traxys and GICC, by way of a placement of approximately US$5.3 million worth of Regal shares;
- An agreement with Ndovu and Exploration Capital Partners 2005 Limited Partnership ("ECP"), an affiliate of Sprott Inc., for the automatic conversion of all convertible loans (approximately A$3.6 million) upon completion of the transactions;
- An agreement with Ndovu to underwrite a rights issue of approximately US$7 million, subject to the above transactions completing; and
- A settlement agreement with former joint venture partner Afrimines Resources SPRL ("Afrimines") and the joint venture vehicle, Regal SK SPRL for US$1.2 million worth of shares in Regal and a US$1.2 million cash payment.

These agreements were subject to a number of conditions precedent which are outlined in the ASX announcement on 20 April 2016, which included the receipt of all necessary shareholder approvals, which were obtained at the general meeting held on 30 June 2016. On 7 July 2016, the Company announced completion of the transactions and as of that date, Regal obtained control of Kalongwe with its 70% holding, its debt under the convertible loan has been extinguished, and it has been released from any claims in relation to its former joint venture with Afrimines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 9 August 2016, the Company had accepted applications from its shareholders subscribing for 681,284,328 shares pursuant to their entitlement and additional shares under a one for two fully underwritten non-renounceable rights issue. This resulted in the Company raising approximately $6.81 million. Further, a shortfall of 244,051,820 shares for a further approximately $2.44 million was also raised.

On 22 September 2016, the Australian Government Takeovers Panel ("Panel") received an application concerning Regal's recently completed entitlement offer and the shortfall shares that were issued to Ndovu. Subsequently, Ndovu provided an undertaking to the Panel not to dispose of, transfer, charge or otherwise deal with the shortfall shares issued to it.

On 23 September 2016, the Company resolved to issue 45 million unlisted options exercisable at $0.0137 as part of the employee share option plan which was approved on 30 June 2016.

NOTE 28: FINANCIAL INSTRUMENTS

(A) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, debt and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings.

Operating cash flows are used to maintain and expand the Group's operational assets, as well as to make the routine outflows of tax and repayment of maturing payables and debt.

In order to achieve this objective, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

(B) FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk. Risk management is carried out by senior finance executives and consultants ("Finance Executives") under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance Executives identify, evaluate and hedge financial risks within the consolidated entity's operating units. Finance Executives report to the Board on a monthly basis.

The Group holds the following financial instruments:

	Consolidated 2016 $	Consolidated 2015 $
Financial assets - current		
Cash and cash equivalents	823,465	1,597,497
Trade and other receivables	85,399	87,608
	908,864	1,685,105
Financial liabilities - current		
Trade and other payables	3,296,861	2,226,506
	3,296,861	2,226,506

(C) MARKET RISK

(i) Foreign Currency Risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Financial assets		Financial liabilities	
	2016 AU$	2015 AU$	2016 AU$	2015 AU$
American Dollar	-	200,924	3,243,243	2,556,467
	-	200,924	3,243,243	2,556,467

(ii) Price risk

The consolidated entity is not currently exposed to commodity price risk as it is in the exploration phase. The consolidated entity is indirectly exposed to commodity price movements such as copper and cobalt as movements in the prices of these commodities may affect the ability of the consolidated entity to access capital markets.

(iii) Interest rate risk

The consolidated entity's main interest rate risk arises from cash and term deposits held at variable interest rates. Term deposits issued at fixed rates expose the consolidated entity to fair value risk. The Group policy is to maximise interest rate returns, having regard to the cash requirements of the exploration and administration operations of the business.

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

(v) Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following table discloses the contractual maturity analysis at the relevant reporting date:

2016	6-12 months $	1 year or less $	Over 1 to 5 years $	More than 5 years $	Total $
Financials assets					
Cash and cash equivalents	823,465	-	-	-	823,465
Trade and other receivables	85,399	-	-	-	85,399
	908,864	-	-	-	908,864
Financials liabilities					
Trade and other payables	3,296,861	-	-	-	3,296,861
Borrowings	876,243	-	-	-	876,243
	4,173,104	-	-	-	4,173,104

2015	6-12 months $	1 year or less $	Over 1 to 5 years $	More than 5 years $	Total $
Financials assets					
Cash and cash equivalents	1,597,497	-	-	-	1,597,497
Trade and other receivables	87,608	-	-	-	87,608
	1,685,105	-	-	-	1,685,105
Financials liabilities					
Trade and other payables	2,226,506	-	-	-	2,226,506
Borrowings	788,267	-	-	-	788,267
	3,014,773	-	-	-	3,014,773

NOTE 29: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditors of the Group, its related practices and non-related audit firms:

	Consolidated 2016 $	Consolidated 2015 $
Audit services		
BDO Audit (WA) Pty Ltd	48,956	-
Ernst and Young (DRC)	-	17,673
BDO East Coast Partnership	-	60,430
	48,956	78,103
Non-audit services		
BDO Corporate Finance (WA) Pty Ltd	37,675	15,325
	37,675	15,325

ADDITIONAL SECURITIES EXCHANGE INFORMATION
AS AT 26 SEPTEMBER 2016

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange and not shown elsewhere in the report is as follows:

NUMBER OF HOLDINGS OF QUOTED EQUITY SECURITIES

The fully paid issued capital of the Company consisted of 2,858,304,999 ordinary fully paid shares held by 1,460 shareholders. Each share entitles the holder to one vote. 358,327,804 ordinary fully paid shares are voluntarily held in escrow until 6 January 2017. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

Spread of holdings	Holders	Securities	% of Issued Capital
1 -1,000	245	106,255	0.004%
1,001 -5,000	311	743,845	0.026%
5,001 -10,000	144	1,031,837	0.036%
10,001 -100,000	469	21,149,315	0.740%
100,001 -9,999,999	291	2,835,273,747	99.194%
TOTAL	**1,460**	**2,858,304,999**	**100.000%**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $500 parcel at $0.015 per unit	33,333	897	5,477,460

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

Substantial shareholder	Number of shares	% Held
Ndovu Capital VI BV	1,765,996,494	61.78%
Traxys Projects LP	199,071,002	6.96%
La Generale Industrielle et Commerciale au Congo SARL	166,556,072	5.83%
Jean-Claude Damseaux	159,256,802	5.57%

ADDITIONAL SECURITIES EXCHANGE INFORMATION
AS AT 26 SEPTEMBER 2016

TWENTY LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

	Shareholder	Number of shares	% Held
1.	Ndovu Capital VI BV	1,765,996,494	61.78%
2.	Traxys Projects LP	199,071,002	6.96%
3.	La Generale Industrielle et Commerciale au Congo SARL	166,556,072	5.83%
4.	Jean-Claude Damseaux	159,256,802	5.57%
5.	Exploration Capital Partners 2005 Limited Partnership	106,501,045	3.73%
6.	Mark Arnesen	70,214,757	2.46%
7.	Auralandia Pty Ltd	42,715,241	1.49%
8.	Bankes Holdings Limited	30,000,000	1.05%
9.	JP Morgan Nominees Australia Limited	22,226,384	0.78%
10.	Worldpower Pty Ltd	20,075,000	0.70%
11.	Hillboi Nominees Pty Ltd	13,600,000	0.48%
12.	Merrill Lynch (Australia) Nominees Pty Limited	12,456,001	0.44%
13.	Goldfire Enterprises Pty Ltd	11,341,829	0.40%
14.	HSBC Custody Nominees (Australia) Limited	10,921,557	0.38%
15.	Parabolica Capital Pty Ltd	8,075,000	0.28%
16.	Perth Investment Corporation Ltd	7,734,138	0.27%
17.	Ram Platinum Pty Ltd	7,725,000	0.27%
18.	Mr Nicholas Crispin Lyons & Mrs Kerrie Maree Lyons	6,805,556	0.24%
19.	David Jonathan Young	5,852,000	0.20%
20.	Mr Timothy Guy Lyons & Mrs Heather Mary Lyons	5,772,221	0.20%
	Top 20 Total	**2,672,896,099**	**93.51%**

MINING TENEMENT SHEDULE

Project/tenement	Location	Held at 30 June 2016
Kalongwe Project: PE12198	The Democratic Republic of the Congo	30%*

*As announced to the ASX on 7 July 2016, as of 7 July 2016, Regal's holding in the Kalongwe Project is 70%.