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12 July 2016

Dear Shareholder

NOTICE TO ELIGIBLE SHAREHOLDERS OF NON-RENOUCEABLE PRO RATA ENTITLEMENT OFFER

We write to you as the registered holder of shares in Regal Resources Limited (Company) (ASX:RER) as at today's date.

As advised in the Company's ASX announcement dated 4 July 2016, the Company is undertaking a non-renounceable pro rata entitlement offer to eligible shareholders at an issue price of \$0.01 per new share (**New Shares**) and on the basis of 1 New Share for every 2 shares held at the record date of 14 July 2016 (**Record Date**) (**Offer**).

Pursuant to the Offer, the Company will issue up to 925,336,148 New Shares to raise approximately \$9,253,000 before costs. The Offer is being fully underwritten by Ndovu Capital VI B.V. (**Ndovu**).

The Offer is conditional upon the completion of the Transactions (defined below). Transaction Completion occurred on 7 July 2016.

1. Transactions

On 20 April 2016, the Company announced that it had entered into a series of transactions (together, **Transactions**) which, upon completion, will provide for:

- (a) the Company to increase its shareholding in Kalongwe Mining S.A. (**Kalongwe**) to 70%, through the acquisition of all of Traxys Resources Ltd's (**Traxys**) interest in Kalongwe, and an additional 13% interest in Kalongwe from La Generale Industrielle et Commerciale au Congo (**GICC**);
- (b) the issue of shares to Ndovu to fund the acquisitions from Traxys and GICC;
- (c) the settlement and release of potential liabilities to Afrimines Resources SPRL and Regal SK SPRL by the issue of shares and a cash payment; and
- (d) the elimination of all debt on the Company's balance sheet through the conversion of the convertible loan with Ndovu and Exploration Capital Partners 2005 Limited Partnership upon completion of the transactions outlined above.

For further information on the Transactions, please refer to the Prospectus and notice of meeting for the general meeting held on 30 June 2016.

2. Eligible Shareholders

The Offer will be available to all shareholders of the Company registered on the Record Date whose registered address is in Australia or subject to the offer restrictions in section 1.16 of the Prospectus, the British Virgin Islands, Democratic Republic of the Congo (**DRC**), Gibraltar, Netherlands, New Zealand, or United Kingdom (**Eligible Shareholders**). The Offer is not being extended to shareholders of the Company whose registered address is outside the above jurisdictions or do not meet the offer restrictions.

3. Purpose of the Offer

The Company proposes to use the funds raised under the Offer for the completion of the definitive feasibility study for the Kalongwe Cu-Co Project, to undertake exploration pursuant to the Company's earn-in agreement with Ivanhoe Mines Ltd, to pay the cash portion of the settlement payment to Afrimines Resources SPRL and Regal SK SPRL, and provide the Company with working capital.

4. Indicative Timetable

The New Shares are intended to be issued in accordance with the following indicative timetable:

Event	Date
Lodgement of Prospectus with ASIC and ASX Lodgement of Appendix 3B Notice of Offer sent to Optionholders	4 July 2016
Issue of Securities at Transaction Completion	7 July 2016
Notice of Offer sent to Shareholders	12 July 2016
Shares quoted on an "Ex" basis	13 July 2016
Record date for determining Entitlements	14 July 2016
Prospectus and Application Form despatched to Eligible Shareholders	19 July 2016
Last day to extend the Offer closing date	29 July 2016
Closing Date of Offer	4 August 2016
Shares quoted on a deferred settlement basis	5 August 2016
Announcement of Shortfall	9 August 2016
Issue date of New Shares Deferred settlement trading ends	11 August 2016
Commencement of New Shares trading on an ordinary settlement basis	12 August 2016

All dates are indicative only and subject to change without prior written notice. Any extension of the Closing Date will have a consequential effect on the date of issue of the New Shares.

5. Shortfall

Eligible Shareholders may apply for shares under the shortfall offer subject to such applications being received by the Closing Date. The issue price for each share to be issued under the shortfall offer shall be \$0.01 per share. Any shortfall shares will be allocated firstly to the Eligible Shareholders who apply for shortfall shares, then to Ndovu in its capacity as underwriter.

6. Capital Structure of the Company

Prior to the lodgement of the Prospectus, the Company had 223,459,096 shares and 86,000,000 unquoted options on issue. On the basis that no options are exercised prior to the Record Date, the Company anticipates issuing 1,627,213,200 shares and 30,000,000 unquoted options on completion of the Transactions and 925,336,148 New Shares pursuant to the Offer.

The Company has also agreed to issue up to 12,581,798 shares to Ndovu as an underwriting fee.

On completion of the Offer and the Transactions, the Company would have a maximum of 2,788,590,242 shares and 116,000,000 unquoted options on issue.

7. Prospectus

Details of the Offer and Transactions are contained in the Prospectus. The Prospectus can be accessed from the Company's ASX platform at the ASX website, www.asx.com.au. A copy of the Prospectus and the Entitlement and Acceptance Form are intended to be sent to Eligible Shareholders on 19 July 2016.

The Directors urge you to read the Prospectus carefully and seek advice from your financial adviser if you have any queries. This notice is to inform you of the Offer. You are not required to do anything in respect to this letter.

If you require clarification on any of the above matters, please contact the undersigned on +61 8 9240 8766.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'PHW', is written over a light blue horizontal line.

Patrick Holywell
CFO & COMPANY SECRETARY