

ASX Announcement & Media Release: ROY

24th December 2013



RAZORBACK OWNERSHIP SECURED

Key Points:

- ✿ **Final tenement acquisition payment for EL4267 of \$20M to Mintech renegotiated to \$4.25M**
- ✿ **Option acquisition payment for ELs 5180 and 5240 of \$10M to Goldus renegotiated to \$3M**
- ✿ **Royalty agreement with both Mintech and Goldus changed from 1.25% gross based royalties to 1.25% net based royalties**

Royal Resources Limited has entered into Variation Deeds with Mintech Resources Pty Ltd and Goldus Pty Ltd for the early resolution of outstanding tenement payments by Royal to complete the acquisition of the Red Dragon Venture tenements, host to the Razorback Premium Iron Project (Figure 1).

Agreement with Mintech Resources Pty Ltd

As announced by Royal to the ASX on 24 November, 2009, Royal entered into a Tenement Sale Agreement with Mintech for the acquisition of its EL4267 covering the Razorback Ridge area and which now includes the Razorback Premium Iron Project. The TSA provided for two additional payments to Mintech: one on the completion by Royal of a Pre-Feasibility Study and a second on the completion of a Bankable Feasibility Study. The agreement included a trailing gross royalty of 1.25% on iron concentrate production.

On 10 December, 2010, Royal announced that the PFS payment was renegotiated with a cash payment of \$2.5 million being made prior to the completion of the PFS.

Royal has now renegotiated the BFS payment from the original \$20 million to \$4.25 million. This consideration is made up of a \$350,000 cash deposit, paid on signing of the Term Sheet, \$1.1 million in cash by 1 July, 2014, and \$550,000 cash on the announcement of the Royal BFS. The remainder of \$2.25 million will be issued as Convertible Notes in Royal by 1 July, 2014. The notes have a 48 month term extendable by two periods of 12 months each by Royal on the payment of \$250,000 cash and are convertible to either shares, cash, or a combination of both, at Royal's discretion.

Royal has also renegotiated the 1.25% gross royalty to a net royalty. A production payment of \$2 million cash is payable to Mintech on the first commercial shipment of iron concentrate from EL4267.

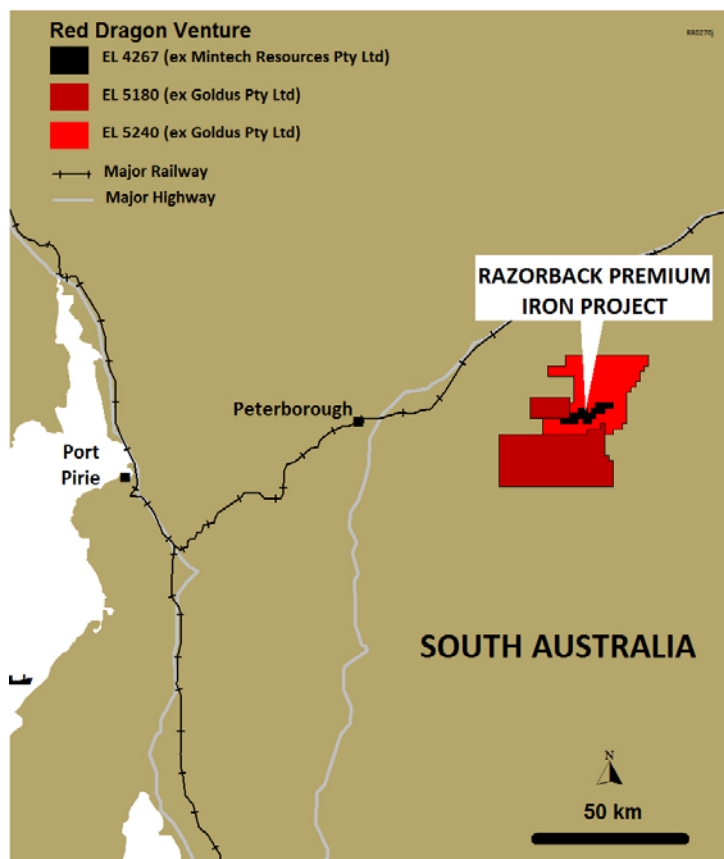
Agreement with Goldus Pty Ltd

As also announced by Royal on 24 November, 2009, Royal entered into an Option Deed with Goldus for an exclusive right to explore for iron on its two tenements, ELs 5180 and 5240, surrounding Razorback Ridge (EL4267). The Goldus Option was renewable annually for a cash payment of \$50,000. Royal had the exclusive option to purchase the tenements for \$10 million cash by the tenth anniversary of the agreement. If exercised, a 1.25% gross production royalty

was payable to Goldus.

Royal has now entered into a Variation Deed with Goldus to exercise the option early with payments totalling \$3 million. This consideration is made up of \$1 million cash on paid on the signing the Deed, \$500,000 cash payable by 31 March, 2014, and \$1.5 million cash payable by 1 July, 2014. The 1.25% gross royalty has been renegotiated to a 1.25% net royalty. A production payment of \$3 million cash is payable on the first commercial shipment of iron concentrate from the tenements. Specific areas of the Goldus tenements not required by Royal for iron exploration have been offered back to Goldus as part of the agreement.

Figure 1: Red Dragon Venture exploration tenements location.



Both of these Variation Deeds provides Royal with financial certainty in relation to the Razorback Premium Iron Project, specifically, and the Red Dragon Venture in general. The onerous time-based overhang of the previous agreements has been annulled. Importantly, the burden of gross royalties associated with both the previous agreements has been considerably lessened with their conversion to a net-based royalty.

Mr Marcus Flis, Managing Director of Royal, said “This is a very positive development in the Razorback Premium Iron Project. Both the legacy payment issue and the gross royalty applying to the project had been a source of concern for potential project partners. In renegotiating the original agreements, both Mintech and Goldus have recognised that the removal of these impediments provided the best chance of bringing forward production in what is still a difficult investment environment”.

About Razorback

The Red Dragon Venture is a very large magnetite deposit located 240km NNE of Adelaide, South Australia and owned 100% by Royal. The RDV has a global resource of 3.9 Billion tonnes with an additional exploration target of 1 to 4 Billion tonnes at grades of 18 to 45% Fe¹. It occurs in an infrastructure rich area that has access to economic grid power, gas, heavy engineering and dormitory towns, as well as open user rail and port.

The RDV covers 1,450 square kilometres of exploration tenement through either outright ownership (EL4267 and EL4811) or as an exclusive option over the iron rights (EL5180 and EL5240). This area contains in excess of 110 strike kilometres of the host Braemar Iron Formation of which only about 25 km has been tested by drilling.

The Razorback Premium Iron Project is centred on the Razorback Ridge deposit within the RDV. It has a JORC₍₂₀₀₄₎ resource of 2.7 Billion tonnes at 15.3% recovery, including 1.04 Billion tonnes at 16.2% recovery in the Indicated Resource category². The completed pre-Feasibility Study³ shows it to be technically feasible and economically attractive. The Project is targeting production of 9.3Mtpa of premium grade magnetite concentrate by conventional open pit mining and beneficiation. The resulting low-contaminant 67.4% Fe product will attract premium pricing to haematite fines. The RPIP has a potential mine life in excess of 50 years and will employ a workforce of over 650.

The RPIP product will be transported to the coast by a low operating cost slurry pipeline and loaded directly into a permanently moored dewatering and transshipment vessel in which the concentrate will be stored for transfer to the ocean going export vessel.

Together with a JORC₍₂₀₀₄₎ compliant Inferred Resource of 1.2 Billion tonnes at 23.2% Fe at the Ironback Hill Prospect, Royal now controls one of the largest iron magnetite resources in Australia.

The Razorback ore style is a bedded magnetite and is significantly softer than banded iron formation ores which, together with a low Strip Ratio and an economical infrastructure solution, delivers a financially attractive project.

About Royal Resources Limited

Royal Resources Limited is a mineral exploration company exploring for iron ore in South Australia and for iron, gold and uranium in the Northern Territory.

Directors

Philip Crabb	Chairman
Marcus Flis	Managing Director
Frank DeMarte	Non-executive Director
Malcolm Randall	Non-executive Director

Share Capital

Issued Capital (ROY)	348.6M
Listed Options (ROYOA)	34.7M (12 ^c , Oct '13)
Unlisted Options	31.8M (7.5 ^c - 55 ^c)
Fully Diluted	415.1M
Share price range	\$0.027 - \$0.115
Annual turnover	19%
Director's Shareholdings	9.6%
Top 20 shareholders	56.7%

The details contained in this report that pertains to ore and mineralisation is based upon information compiled by Mr Marcus Flis, BSc (Hons), MSc, a full-time employee of the Royal Resources Limited and Mr Lynn Widenbar BSc(Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd. Mr Flis is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Widenbar is a Member of the AusIMM. Both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC 2004 Code). Mr Flis and Mr Widenbar consents to the inclusion in this report of the matters based upon their information in the form and context in which it appears.

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Frank DeMarte
Company Secretary

¹ The potential quantity and grade of the exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Resource. The estimate of an exploration target tonnage should not be construed as an estimate of Mineral Resource.

² ASX release 21st November, 2012 and 11th June, 2013

³ ASX release 29th January, 2013