

20 April 2016

ASX Code: **RER**

ACQUISITION OF ADDITIONAL INTEREST IN KALONGWE AND FINANCING UPDATE

Highlights

- *Regal executes key agreements for the acquisition of an additional interest in the Kalongwe copper/cobalt project in the Katanga Province, DRC, which will enable the project to move forward towards development;*
- *Post completion, Regal will be the majority owner of Kalongwe holding 70% with GICC 25% and DRC Government 5%;*
- *Acquisition to be funded through a placement of approximately US\$5.3 million and the issue of approximately US\$2.8 million worth of shares;*
- *Additional bridge funding for A\$1.1 million has been secured to fund Regal through to completion of the acquisition;*
- *Existing convertible loan and bridge funding to be automatically converted to shares;*
- *Proposed rights issue of approximately US\$7 million to be undertaken at an issue price of A\$0.01 per share and to be underwritten by Ndovu Capital, an affiliate of the Tembo Capital Group; and*
- *Settlement reached with former joint venture partner for US\$1.2 million worth of shares and a US\$1.2 million cash payment.*

Acquisition of additional interests in Kalongwe Mining SA

Regal Resources Limited (ASX: RER) (the **Company** or **Regal**) is pleased to advise that successful negotiations with Traxys Projects L.P. (**Traxys**) have concluded and the Company has executed a number of key agreements which will enable the Company to acquire Traxys' interest in the holder of the Kalongwe copper/cobalt project, Kalongwe Mining SA (**Kalongwe**) (**Traxys Kalongwe Property**). Regal has also concluded negotiations with La Generale Industrielle et Commerciale au Congo (**GICC**) which will enable the Company to acquire part of GICC's interest in Kalongwe (**GICC Kalongwe Property**). This will enable Regal to move the Kalongwe copper/cobalt project towards development.

Traxys currently holds a 30% shareholding in Kalongwe and GICC a 40% shareholding. As the Company announced on 26 February 2016, the shareholders of Kalongwe are in the course of completing the transfer of 5% of the share capital of Kalongwe to the Government of the Democratic Republic of the Congo (**DRC**) in accordance with the DRC Mining Law. Following completion of the transfer to the DRC Government and the transaction between Regal and Traxys as well as Regal and GICC, the revised shareholdings of the Kalongwe project will be as follows:

- Regal (through a wholly owned subsidiary): 70%
- GICC: 25%
- DRC Government: 5%.

Patrick Holywell, Chief Financial Officer, Regal Resources Ltd, commented:

"A significant amount of work has been undertaken, particularly in the last six months, to enable Regal to achieve this landmark deal. We have been fortunate to have very supportive major shareholders. All shareholders will have the opportunity to participate in the Company's transformation through an entitlement in the proposed rights issue. Tembo and Sprott have confirmed that they will take up their full entitlements with Tembo committing to underwrite the entire proposed rights issue.

Ownership of a minority stake in the Kalongwe copper/cobalt project has been an impediment to project funding and with a majority interest we can now progress the project. The board is also in the process of building a team with the requisite experience and expertise to develop, build and operate a mine at Kalongwe. Several potential candidates with substantial African experience as well as a strong technical background have already been identified to assist the Company in achieving its objective of becoming a copper producer. Suitable appointments will be made in due course."

Traxys Transaction Overview

Acquisition Terms

Regal has executed an agreement (**Traxys Sale Agreement**) with Traxys whereby Traxys has agreed to sell 100% of its interest in the Kalongwe project to a wholly owned subsidiary of Regal (**Regal SPV**) and the Company has agreed to cause Regal SPV to buy the Traxys Kalongwe Property, subject to the satisfaction or waiver of the conditions precedent described below.

Consideration

The consideration payable by the Company to Traxys under the Traxys Sale Agreement is comprised of:

- US\$1.5 million worth of shares in Regal (**Traxys Consideration Shares**) at a deemed issue price of A\$0.01 per share; and
- US\$4 million cash (**Traxys Consideration Payment**).

The consideration payable will be subject to an adjustment for the pro rata contributions paid by Traxys to Kalongwe since 1 January 2016 (subject to a maximum contribution of US\$200,000 by Traxys).

Conditions Precedent

The Traxys Sale Agreement is subject to a number of conditions precedent, including but not limited to:

- the Company assigning its interest in Kalongwe to Regal SPV;

- shares being issued to Ndovu Capital VI B.V. (**Ndovu Capital**, an affiliate of Tembo Capital Mining Fund LP.) and Exploration Capital Partners 2005 Limited Partnership (**ECP**, an affiliate of Sprott Inc.) upon conversion of the Company's loan under the Amended Convertible Loan Agreement (described below);
- a Prospectus for a Rights Issue being lodged by the Company with ASIC and ASX (described below);
- execution of the Ndovu Capital Subscription Agreement, Amended Convertible Loan Agreement, Ndovu Capital Underwriting Agreement and Afrimines Agreement (each described below) and the satisfaction or waiver of relevant conditions precedent in each of those agreements;
- the receipt of all necessary Company shareholder approvals for the Traxys Sale Agreement and the other agreements referred to above (together, **Transaction Documents**) by no later than 30 June 2016 (or such other date as may be agreed by the parties); and
- the amended marketing agreement with Traxys is duly executed by Kalongwe and approved by Kalongwe shareholders following the submission of the special report by Kalongwe's statutory auditor and enters into full force and effect.

Each of the above conditions precedent must be satisfied or waived by 14 July 2016 (or such other date as may be agreed by the parties).

Voluntary Escrow

The Traxys Consideration Shares and any Shares subscribed for by Traxys under the Rights Issue will be subject to a six month voluntary escrow period, subject to customary exclusions.

Representations and Warranties

Regal and Traxys have each provided representations and warranties that are considered standard for agreements of this nature.

GICC Transaction Overview

Acquisition Terms

Regal has executed an agreement (**GICC Sale Agreement**) with GICC whereby GICC has agreed to sell a 13% interest in the Kalongwe project (**GICC Kalongwe Property**) to Regal SPV and the Company has agreed to cause Regal SPV to buy the GICC Kalongwe Property, subject to the satisfaction or waiver of the conditions precedent described below.

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Consideration

The consideration payable by the Company to GICC under the GICC Sale Agreement is comprised of:

- US\$1.255 million worth of shares in Regal (**GICC Consideration Shares**) at a deemed issue price of A\$0.01 per share; and
- US\$1.255 million cash (**GICC Consideration Payment**).

Conditions Precedent

The GICC Sale Agreement is subject to a number of conditions precedent, including but not limited to:

- execution of the Traxys Sale Agreement;
- the satisfaction or waiver of the conditions to the Traxys Sale Agreement; and
- the Traxys Sale Agreement not being terminated prior to completion.

Each of the above conditions precedent must be satisfied or waived by 14 July 2016 (or such other date as may be agreed by the parties).

Representations and Warranties

Regal and GICC have each provided representations and warranties that are considered standard for agreements of this nature.

Kalongwe Shareholders Agreement

With effect from completion, the Kalongwe Shareholders Agreement will be modified so as to remove the provision under which Regal can in certain circumstances acquire further shares from GICC at a market price as well as removal of associated restrictions.

Ndovu Capital Subscription Agreement

Regal has executed a Subscription Agreement (**Ndovu Capital Subscription Agreement**) with Ndovu Capital whereby the Company has agreed to issue and Ndovu Capital has agreed to subscribe for approximately US\$5.3 million worth of shares in Regal (**Subscription Shares**) at an issue price of A\$0.01 per share. The Subscription Agreement is subject to a number of conditions precedent, including but not limited to:

- execution of the other Transaction Documents and the satisfaction or waiver of relevant conditions precedent in each of the Transaction Documents; and

- the receipt of all necessary Company shareholder approvals for the Ndovu Capital Subscription Agreement and the Transaction Documents, by no later than 30 June 2016 (or such other date as may be agreed by the parties).

The funds raised pursuant to the Ndovu Capital Subscription Agreement will be used to pay the Traxys Consideration Payment to Traxys and the GICC Consideration Payment to GICC.

Amended Convertible Loan Agreement

Further to the ASX announcement on 18 December 2015 in relation to the approximate A\$2.6m secured convertible loan facility agreement (**Convertible Loan Agreement**) jointly provided by Ndovu Capital and ECP, the parties have agreed to a number of amendments to the Convertible Loan Agreement (**Amended Convertible Loan Agreement**) considered necessary in the context of the Rights Issue and the other transactions summarised in this announcement.

The material amendments are as follows:

- an additional A\$1,100,000 (**Bridge Loan**) is to be provided by Ndovu Capital to finance the Company's working capital requirements until completion;
- a non-refundable establishment fee of 3% of the Bridge Loan is payable to Ndovu Capital, which is to be satisfied by the issue of shares at a deemed issue price of A\$0.01 per share;
- upon the satisfaction or waiver of each of the conditions precedent to the other Transaction Documents, the loan is to automatically be converted into shares of Regal; and
- the conversion price of the loan (provided that conversion occurs at the same time as completion under the other Transaction Documents) is reduced from A\$0.035 per share to A\$0.01 per share;

Apart from the amendments summarised above, the key terms of the Amended Loan Agreement remain the same as those in the Loan Agreement as summarised in Appendix 1 of the 18 December 2015 ASX announcement.

The Amended Convertible Loan Agreement remains subject to a number of conditions precedent, including but not limited to:

- the Company receiving a new waiver from ASX in respect of Listing Rule 10.1 in respect of the grant of the security for the convertible loan, which is considered necessary as a result of the increased principal amount of the loan (the security itself remains unchanged);
- no event of default or material adverse event occurring; and
- all representations and warranties given by the Company under the finance documents remaining true and correct.

Proposed Rights Issue

The Company intends to undertake a pro rata entitlement offer to eligible shareholders to raise gross proceeds of approximately US\$7 million at a price of A\$0.01 per share (**Rights Issue**). The proposed price of A\$0.01 per share is an attractive discount to the three-month volume weighted average price of A\$0.016 per share. Shares issued pursuant to the Transaction Documents will be issued prior to the date of the Rights Issue and will be eligible to participate in the Rights Issue. The Company will lodge a Prospectus for the Rights Issue in accordance with the indicative timetable set out below.

The funds raised pursuant to the Rights Issue are intended to be used to, amongst other things, complete a definitive feasibility study on 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 under the Afrimines Agreement (described below), and for general working capital.

Ndovu Capital Underwriting Agreement

Regal has executed an agreement (**Ndovu Capital Underwriting Agreement**) with Ndovu Capital pursuant to which Ndovu Capital has agreed to underwrite the Rights Issue.

The Ndovu Capital Underwriting Agreement is subject to a number of conditions, including but not limited to:

- execution of each of the other Transaction Documents and each of the conditions precedent to the Transaction Documents being satisfied or waived.
- the receipt of all necessary Company shareholder approvals for Ndovu Capital to underwrite the Rights Issue; and
- the Company lodging a Prospectus for the Rights Issue with ASIC and ASX.

These conditions must be satisfied on or before 30 June 2016. Once the Transaction Documents have been completed the Ndovu Capital Underwriting Agreement will become wholly unconditional.

The Company has received an irrevocable undertaking from ECP that it will subscribe for its entitlement under the Rights Issue.

Afrimines Agreement

As previously announced, the Company has formally terminated its involvement in the joint venture with Afrimines Resources SPRL (**Afrimines**) conducted through Regal SK SPRL (**Regal SK**). As reported in the 31 December 2015 half year accounts, Regal has deferred consideration and borrowings owing to Afrimines of ~A\$2.5 million (June 2015: ~A\$2.3 million).

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Regal has executed a deed of settlement and release with Afrimines and Regal SK (**Afrimines Agreement**) 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 (**Settlement Shares**) and pay Afrimines US\$1.2 million in cash, in settlement of the above plus claims regarding previous joint venture expenditures.

The Afrimines Agreement is subject to the following conditions:

- Regal shareholders obtaining all necessary approvals for the issue of Settlement Shares to Afrimines (or its nominee approved by the Board); and
- the underwriting of the Rights Issue becoming unconditional.

The Settlement Shares issued to Afrimines will be subject to a six-month voluntary escrow period, as will any shares subscribed for by Afrimines under the Rights Issue, subject to customary exclusions. Pursuant to the Afrimines Agreement, the parties release each other from all claims in respect of the joint venture and loan agreements between the parties.

Indicative Timetable

An indicative timetable for the Transactions is set out below. The Company notes that the timetable is indicative only, and is subject to change.

Event	Date
Announcement of execution of Transaction Documents	April 20
Estimate receipt of Bridge Funding	April 22
Announcement of Notice of Meeting	May 11
Shareholder Meeting	June 9
Lodgement of Prospectus with ASIC and ASX	June 10
Issue of shares pursuant to each of the Transaction Documents	June 16
Record Date for Rights Issue	June 17
Closing Date for Rights Issue	July 8

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Indicative capital structure

The indicative capital structure based on an exchange rate of 1USD:0.7535AUD as quoted by the Reserve Bank of Australia on 8 April 2016 is as follows:

	Shares	Options
Currently on issue	220,159,096	86,000,000
Traxys Consideration Shares	199,071,002	-
GICC Consideration Shares	166,556,072	-
Ndovu Capital Subscription Shares	697,412,077	-
Afrimines Shares	159,256,802	-
Convertible Loan Securities:		
New Establishment Fee Shares	3,300,000	-
Conversion of loan	368,257,700	-
Interest Shares*	7,386,371	-
Ndovu Capital Options	-	30,000,000
Advisor/Consultant Shares (pre Rights Issue)	20,000,000	-
Rights Issue Shares	920,701,326	-
Underwriter Fee (Issued in Shares)	12,581,143	-
Advisor/Consultant Shares (post Rights Issue)	69,367,128	-
TOTAL	2,844,048,717	116,000,000

* Owing as at 31 March 2016.

The Company will provide further updates as the transactions progress and further details will be included in the notice of meeting seeking the necessary shareholder approvals pursuant to the transactions in due course.

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Proposed Director Appointment

Mark Arnesen has been working with Regal as a consultant to provide assistance with the negotiation and conclusion of the proposed transactions outlined above. It is intended that with effect from the close of the proposed Rights Issue, Mr Arnesen will become the Chief Executive Officer and an Executive Director of the Company.

Mark 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 Limited as Managing Director - International Treasury and held the position until 2004. From 2004 until 2006 he worked with Equinox Minerals Limited and put in place the Lumwana project financing. In November 2006, he joined Moto Goldmines Limited as the Financial Director and held the position until the company was taken over by Randgold Resources Limited (and held through a joint venture with AngloGold Ashanti Limited) in late 2009.

Mr Arnesen was a Non-Executive Director of Natasa Mining Limited (2006 to 2010) and a Non-Executive Director of Asian Mineral Resources during 2010. He was Chief Executive Officer of Gulf Industrials Limited (February 2012 to March 2014). Mr Arnesen is currently the sole director of ARM Advisors Proprietary Limited. He was appointed as a Non-Executive Director of Centamin PLC in February 2011. Mr Arnesen holds a Bachelor of Commerce and Bachelor of Accounting degrees from the University of the Witwatersrand.

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