

18 December 2015

ASX Code: **RER**

FUNDING UPDATE

Funding update

Further to the ASX announcement on 26 November 2015, Regal Resources Limited (ASX: RER) ("Regal" or the "Company") wishes to provide an update to shareholders regarding the convertible loan financing facility agreement ("Loan Agreement") and Strategic Relationship and Subscription Agreement with Tembo Capital Mining Fund Group ("Tembo").

Regal is now pleased to advise that an affiliate of Sprott Inc. ("Sprott") (TSX:SII), Exploration Capital Partners 2005 Limited Partnership ("ECP") has agreed to provide a further \$1 million and the Loan Agreement, now jointly provided by Ndovu Capital VI B.V. ("Ndovu", an affiliate of Tembo) and ECP, has been extended for six months.

The loan is expected to be received on or about 21 December 2015. The Loan Agreement contains other provisions customary to agreements of this nature, including conditions subsequent, standard representations and warranties, undertakings and events of default. Further details of the Loan Agreement can be found in Appendix A.

Strategic Relationship and Subscription Agreement

As announced 3 February 2015, Regal signed a Strategic Relationship and Subscription Agreement ("Strategic Agreement") with Tembo whereby, among other things, a Tranche 2 investment totalling \$5.1 million by way of a share placement would be undertaken. Tranche 2 was subject to various conditions including the completion of the previously announced transaction between Traxys and the Company.

Due to the passage of time, Regal and Tembo have agreed to re-negotiate the terms of the Tranche 2 investment. Tembo is one of the largest shareholders in Regal and continues to support the Company as Regal works to achieve its objective of developing the Kalongwe deposit in the Democratic Republic of Congo.

Regal is continuing to advance negotiations with Traxys over the acquisition of its 30% interest in Kalongwe Mining SA.

Although Regal is in advanced negotiations with Tembo in relation to the further investment, and Traxys in relation to the proposed acquisition, Regal cautions investors that there is no certainty that agreements will be reached and that it is announcing these negotiations at this time in the interests of ensuring that the market is fully informed. In addition, in the event that agreements are reached,

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completion of the agreements would be subject to a number of conditions precedent and there is no certainty that the transactions would complete. The Company will provide an update to the market when possible.

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About Regal

Regal Resources Limited is an exploration company focused on transitioning in the near-term to a 25,000t per annum copper producer.

The Company's flagship project is the Kalongwe deposit ("the Project") which hosts a near surface oxide JORC resource of 302,000t contained copper and 42,000t contained cobalt, with an average copper grade of 2.71% Cu. The Project is located in the Katanga Province of the DRC and is situated towards the western end of the World Class, Central African Copperbelt.

A Scoping Study ("the Study") has been completed which was based on the Measured and Indicated resource categories of the deposit (ASX: RER 21 April 2015). The purpose of the Study was to evaluate the viability of developing a stand-alone mining operation at Kalongwe utilising a HMS plant to process high-grade mineralisation during the earlier stages of mine development. The results of the Study have highlighted the potential to fast track the development of a mine at Kalongwe.

Key Outcomes of the Scoping Study

Project Net Present Value (NPV @ 10% discount rate) Cu price \$3/lb *	\$77.9 million
Project Internal Rate of Return (IRR)	81%
Payback	13 months
Capital Cost to Initial Production	\$38.9 million
Operating Costs (per pound ("lb") Cu payable)	\$1.01 per lb

* Base Case is stated on a post-tax basis assuming 100% project at a copper price of \$3.00/lb.
All amounts are in US dollars unless otherwise stated.

Ownership of the Project is held by Kalongwe Mining SA ("Kalongwe Mining"), a company currently owned by Regal (30%), the international commodities trading company Traxys (30%) and La Generale Industrielle et Commerciale au Congo SPRL ("GICC") (40%). Exploration and development costs are jointly funded by Regal and Traxys. Regal is the operator of the JV.

Regal is at an advanced stage in negotiations to increase its interest in Kalongwe Mining to 60% and as the operator of the JV is focused on fast tracking the development of a mining operation at Kalongwe.

The Company has also entered into a joint venture with Ivanhoe Mines to earn up to a 98% interest in a package of highly prospective permits covering an area of 350sq km which are largely contiguous with the Kalongwe permit. An aggressive exploration programme is planned to focus on high priority targets identified in the Ivanhoe Mines JV permits that have the potential to support future growth of the Company.

APPENDIX 1 – DETAILS OF LOAN AGREEMENT

Details of the Loan Agreement are as follows:

Lenders	Tembo and ECP (together, the “Lenders”)
Principal Amount	<p>Provided by Tembo: \$1,582,577 (being the initial \$1,500,000 provided under the original Loan Agreement, plus \$82,577 of capitalised interest)</p> <p>Provided by ECP: \$1,000,000</p>
Conversion	The Lenders may convert the loan amount into shares at a conversion price of \$0.035 per share. Regal's right to require the conversion of the loan amount is subject to completion of the Traxys Transaction. Regal has agreed to issue up to 16,345,900 shares to the Lenders upon conversion of part of the loan amount, pursuant to its placement capacity under ASX Listing Rule 7.1. The issue of any further shares will be subject to the receipt of shareholder approval, which Regal intends to seek in early 2016.
Establishment Fee	A non-refundable establishment fee of 3% of the Principal Amount is payable to the Lenders, which is to be satisfied by the issue of shares at a deemed issue price of \$0.035 per share.
Convertible Loan Options	Subject to the receipt of shareholder approval, Regal must issue 30,000,000 Options to Tembo exercisable at \$0.06 each on or before the date that is 60 months after the issue date.
Interest	Interest will accrue on the loan at the rate of 10% per annum, payable quarterly. Interest will accrue on any overdue amounts at the rate of 12% per annum, and may be capitalised by a Lender monthly. The Lenders may elect that the accrued interest to be paid for a quarter is to be converted into Shares at a deemed issue price of \$0.035 per Share.
Security	The Lenders are to be granted security over Regal's assets pursuant to the terms of a General Security Deed at the time of financial close. Regal is also obliged to provide the Lenders with specific security over its shares in Kalongwe Mining S.A, and intercompany loan receivables owing by Kalongwe Mining S.A. within 3 months of financial close. Regal has obtained a conditional waiver of ASX Listing Rule 10.1 to enable the grant of this security. A summary of the conditions of the waiver is set out in Appendix 2.
Repayment Date	Six months after execution of the Amended and Restated Loan Agreement.

APPENDIX 2 – WAIVER OF LISTING RULE 10.1

As noted above, the Company has received a waiver from ASX Listing Rule 10.1 to the extent necessary for it to grant security over its assets (**Security**) in favour of Ndovu Capital VI B.V (**Ndovu**) and Exploration Capital Partners 2005 Limited Partnership (**ECP**) (together, the **Lenders**) pursuant to a general security deed (**General Security Deed**) and the security trust deed (**Security Trust Deed**) (together, the **Loan Deed**) under which Ndovu may provide to the Company up to \$1,500,000 plus capitalised interest of approximately \$82,577 and ECP may provide to the Company up to \$1,000,000, without obtaining shareholder approval for the purposes of ASX Listing Rule 10.1

The waiver was granted on the following conditions.

1. The Loan Deed includes a term that if an event of default occurs and the Lenders exercise their rights under the Loan Deed, neither of the Lenders nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Loan Deed, or otherwise deal with the assets of the Company or the subsidiaries, without the Company first having complied with any applicable ASX Listing Rules, including ASX Listing Rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by the Lenders exercising their power of sale under the Loan Deed and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Lenders in accordance with their legal entitlements.
2. A summary of the material terms of the Loan Deed is made in each annual report of the Company while the Security is held over the Company and its assets.
3. Any variations to the terms of any of the Loan Deed or the Security which is not a minor change, or inconsistent with the terms of the waiver, must be subject to shareholder approval.
4. The Company must seek to discharge the Security when the funds advanced under the Loan Deed have been repaid, or if they are not discharged, seek shareholder approval for the continuation of the Loan Deed for any further loan funding amount.
5. The Company immediately releases to the market an announcement which sets out the terms of the waiver, and the Company's plans with respect to the repayment of the funds advanced under the Loan Deed and the discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur.