

ASX Announcement: ROY

31 January 2012



SECOND QUARTER ACTIVITIES REPORT ENDING 31 DECEMBER 2011

Key Points:

IRON ORE AUSTRALIA

- 3,396m of RC and 437m of diamond drilling completed on West Razorback Ridge, Red Dragon Project
- 6,318 metres of RC drilling completed on Ironback Hill, Pualco Project
- Drilling is continuing on both prospects in support of a resources upgrade at Razorback Ridge¹ and a maiden resource at Ironback Hill by Second Quarter, 2012
- ELA313/10 has now been granted extending our tenure west of the Razorback Ridge resource
- Negotiations are being finalised on the disposal of remaining Hamersley Basin tenements

URANIUM NORTHERN TERRITORY

- Up to 1870ppm U₃O₈ intersected at Bowerbird Prospect
- Up to 90 ppm U₃O₈ intersected in shallow bedrock drilling program

URANIUM USA

- Significant intercepts of up to 0.744% eU₃O₈² (approximately 15lbs/t) encountered on the Sage Plain project area
- Sage Plain to transition from exploration to development

IRON ORE AUSTRALIA

RAZORBACK IRON PROJECT

Royal controls four exploration licences over the Razorback area located 250km NNE of Adelaide, South Australia (Figure 1). EL4267 and EL4811 are owned by Royal and cover the Razorback Ridge deposit and its western extension. ELs 3927 and 3997 are optioned to Royal from private

¹ ASX Announcement dated 1 December 2011

² eU₃O₈ or equivalent U₃O₈ refers to values derived from calibrated downhole natural gamma ray logging. Calibration is undertaken in holes that have known U₃O₈ concentrations as measured by conventional assaying. The calculation does not take into account elements other than uranium or disequilibrium. Geochemical assaying may show lower or higher concentrations of U₃O₈ than that obtained through calculation from logging data.

company Goldus Pty Ltd for iron ore exploration and development. These ELs are divided into two projects: the Red Dragon Project, consisting of EL4267, EL3997 and EL4811, and the Pualco Project, consisting of EL3927.

The host rock to magnetite mineralisation on the project is the Braemar Iron Formation. This formation has a strike length of approximately 110km within Royal's area (Figure 1) and has the potential to host an exploration target of **4.8 billion tonnes to 8.0 billion tonnes at 18% to 45%Fe³** announced on 24th March, 2011.

Red Dragon Project: EL4267, EL3997 and ELA 313/10: Royal (100%)

The Red Dragon Project holds the Razorback deposit, with a JORC compliant Inferred Resource of 568.6Mt at 25.6% Fe, including an Indicated Resource of 437.1 Million tonnes at 26% Fe.

Drilling has resumed at Razorback Ridge during the quarter, targeting an additional 300 to 600Mt at similar grade to the existing resource³. The current focus is the western extension of the resource, an area that is not subject to Native Title. A total of 3,396m of RC and 437m of diamond drilling were completed prior to heavy rains stopping operation during mid-December. Drilling has now resumed. Drilling is also due to resume at Razorback Ridge during the next quarter to both increase the resource there and to provide geotechnical information in support of the Pre-feasibility Study. It is anticipated that an update to the current resource will be announced in the 2nd Quarter of 2012 after all geochemical assays for this current drilling become available.

Exploration Licence Application 313/10 was granted on 1st December, 2011 and is now known as EL4811

Prefeasibility Study

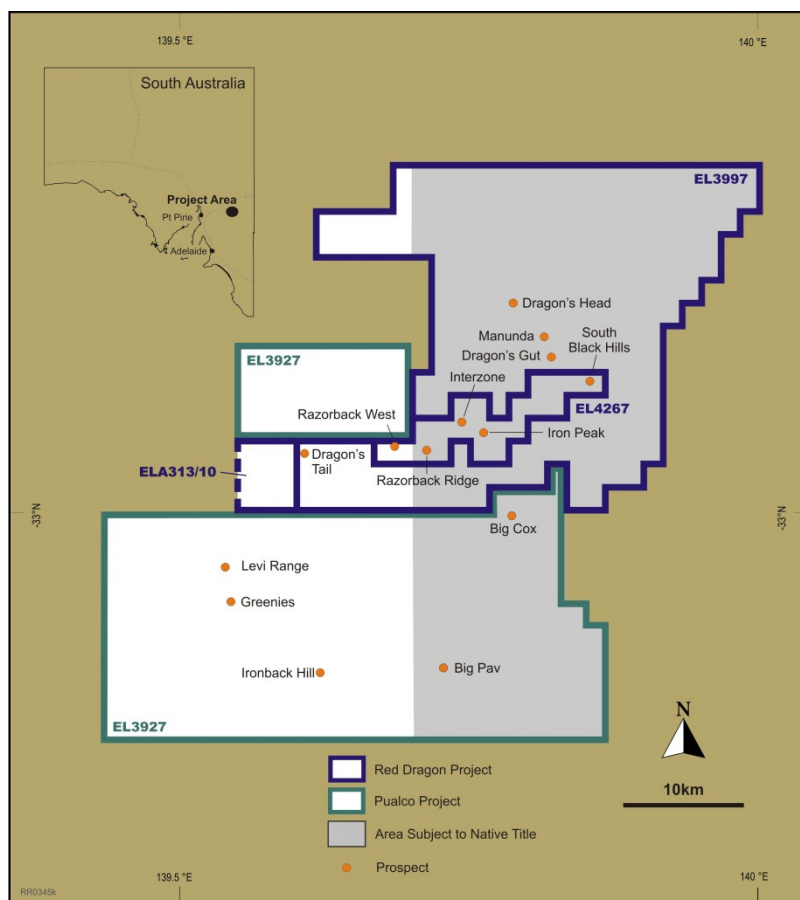
The main focus of the PFS study into a 10Mtpa operation based on the Razorback Ridge deposit has been finalisation of the process flow sheet. Additional metallurgical work has been undertaken to further characterise the ore and its processing performance.

Final pit shells, based on economic recovery, have been designed, although there will be a revision of these once the resource has been updated.

Pualco Project: EL3927: Royal (100%, iron only)

Drilling continued at the Ironback Hill area (Figure 1) to test approximately 10 strike kilometres of

Figure 1: Razorback Iron Project showing prospect locations



³ 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 Mineral Resource. The estimate of an exploration target tonnage should not be construed as an estimate of Mineral Resource.

the host Braemar Iron Formation. This drilling is targeting 700 to 1,000 Mt at grades of 20 to 45% Fe³, based on exploratory drilling results, geological mapping, and magnetic modelling. A total of 6,318 metres of RC drilling has been completed to the end of the Quarter, with an additional ~3,800 metres of diamond drilling to be completed in January and February. Heavy rains during December hampered the drilling. It is anticipated that this current programme will provide a maiden JORC Resource for the Pualco Project which has the potential of becoming a separate development to the Razorback Ridge Prospect.

WEST AUSTRALIA IRON ORE PROJECTS

Royal holds a number of tenements in the Mid-West and Hamersley Basin areas of WA. A review of the tenements has indicated they have limited size potential for DSO haematite deposits. A lack of available infrastructure in the area further downgrades the opportunities there. As a result Royal is exiting both areas to concentrate on the Razorback Iron Ore Project in South Australia.

Warriedar Joint Venture: Royal (40%), Gindalbie manages

On the 25th November, 2011, Royal announced the successful conclusion of the sale of the Warriedar Iron Joint Venture to Gindalbie Metals Limited. Gindalbie paid a cash consideration of \$7 million. Minjar Gold has a first right of refusal over the gold interest of the area. Minjar has elected to exercise their right and will be acquiring the gold rights for a consideration of \$1 million cash. FIRB approval was sought and, at the time of this release, has been granted.

Tallering: Royal (100%)

A strategic review of the Tallering tenement indicated there was insufficient space on the property for an economically viable DSO iron deposit. Previous work that followed up minor gold anomalism also failed to find anything of interest. Consequently, the tenement has been relinquished.

Fields Find: Royal (100%)

The magnetite targets are on hold until the likely development of the Oakjee Port is resolved. In the interim, soil sampling and reconnaissance mapping was undertaken to ground check gold and geophysical targets identified from a review of the project data.

Figure 2: Project locations, WA iron ore



PILBARA IRON ORE PROJECT

Yarrintree EL47/1927, Perishing EL47/1614, and Marillana Bridge EL47/1613: Royal (100%)

Royal is seeking to exit the Pilbara in its entirety and is in discussion with two interested parties for this tenement package.

URANIUM AUSTRALIA

Royal holds a portfolio of tenements in the Northern Territory for uranium exploration. The properties are held in Royal's own right or in JV with Toronto Stock Exchange listed company Aldershot Resources Ltd (TSX:ALZ) (Figure 3).

George Project EL24550 (George) and EL27354 (Amangal): Royal manages (60%)

Figure 3: Project Locations, Northern Territory uranium



Drilling commenced at the George Project during the Quarter. Five out of six planned RC holes were drilled before wet weather caused an early termination. The holes were designed to follow up interpreted structures, radiometric anomalies and an electrical (IP) conductor. Drilling of the IP conductor on the Amangal tenement intersected graphitic shales with sulphides with minor enrichment in Cu, Pb, Zn and U (up to 247 ppm U_3O_8) in hole AMRC001. No significant anomalism was intersected near the George Prospect (structural target).

A surface radiometric anomaly was tested by drilling at the Bowerbird Prospect. Hole BBRC002 intersected three thin radioactive zones in siltstone at up to 1870 ppm U_3O_8 (22-23m). Samples have been re-submitted for further assays.

Waterhouse West EL24563: Royal manages (60%)

Thirty three holes of a planned fifty five hole aircore bedrock drilling program were completed before wet weather caused abandonment of the program. The program was designed to follow up anomalous soil assays. Assays returned up to 90 ppm U_3O_8 with 448 V_2O_5 (WWAC017, 3-4m). The assay results also returned elevated Cu, Pb, As and Zn values. Comprehensive re-assaying is now being done.

ABC EL24555: Royal manages (60%)

A meeting with the Northern lands Council for this quarter was postponed again.

Ngalia EL24571: Royal manages (60%)

There was no activity on the tenement during the quarter.

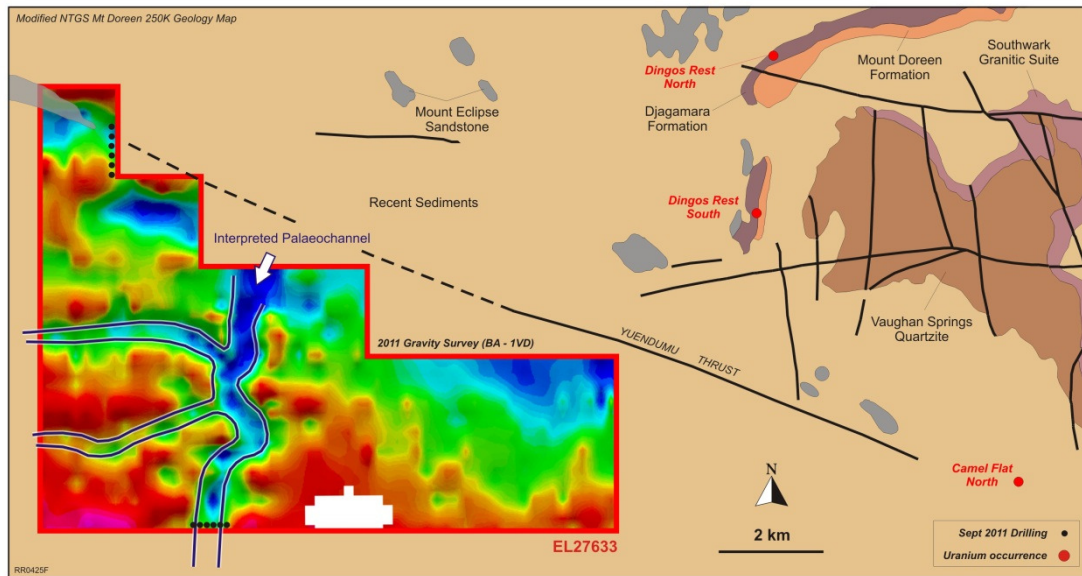
Yatjalu EL27633 & Gum Creek EL27634: Royal (100%)

The drilling at Yatjalu confirmed the presence of a buried Tertiary channel (Figure 4). Assays showed no significant anomalism returning up to 22 ppm U_3O_8 . Testing along the length of the channel is planned for 2012.

Yatjalu West EL28700 & Djambdimba EL28701: Royal (100%)

These tenements were granted at the start of November. There has been no activity to date.

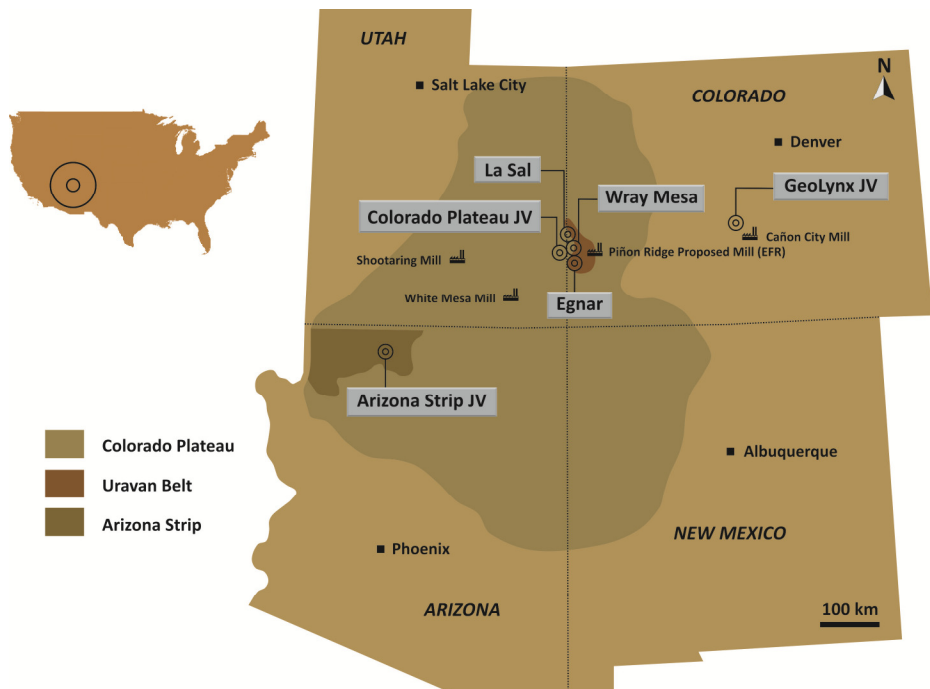
Figure 4: Gravity image of Yatjalu showing the two drilling lines



URANIUM USA

As announced on 8th March, 2011 and confirmed on 15th September, 2011, Royal has vended its USA uranium properties into Toronto Stock Exchange listed Aldershot Resources Ltd⁴. Royal is now the beneficial owner of 65 million shares in ALZ, or 42% of the issued capital. Whilst a full description of Aldershot's current activities should be viewed on Aldershot's webpage (www.aldershotresources.com) a summary of Aldershot's activities is produced here. Readers are encouraged to visit this web site to view the full reports.

Figure 5: Project Locations, USA



Lynx-Royal Joint Venture: Aldershot manages (90%)

Wray Mesa: A drilling programme has been permitted; it will commence once the spring thaw has arrived. Targets are based around the old Geo Mine #1 infrastructure and will include reaming out historic drill holes.

⁴ ASX announcement, 8th March, 2011: Royal to Vest USA Uranium Interests into Aldershot

Egnar South: Drilling reports were completed for both the Slick Rock and PR1 project where only minor uranium mineralisation was intersected.

Colorado Plateau Joint Venture: Aldershot manages (45%)

Sage Plain: The Sage Plain Complex is located within 105 km of Denison's White Mesa Mill and 70 miles of Energy Fuels' proposed Piñon Ridge Mill. As reported previously, Aldershot, through Colorado Plateau Partners LLC (CPP), a 50/50 JV of Aldershot subsidiary Lynx-Royal JV, LLC and Energy Fuels Resources Corp., has completed the purchase of the 640 acres (2.6 km²) Crain Lease. The Crain Lease contains mineralisation averaging 0.15% U₃O₈ and 1.00% V₂O₅. CPP also acquired the 320 acre (1.3 km²) Calliham Lease which also hosts mineralisation averaging 0.21% U₃O₈ and 1.30% V₂O₅. Excellent results were obtained from the summer drilling campaign, with noteworthy intercepts:

Table 1: Drill Results – Sage and Calliham mine areas, Sage Plain

Hole ID	From (feet)	To (feet)	Interval (feet)	Interval (m)	eU ₃ O ₈ %
SP-11-003	713	715	2.0	0.61	0.407
CH-11-005	615	616	1.0	0.3	0.456
and	626	627	1.0	0.3	0.744
SM-11-002	672	674	2.0	0.61	0.397

During the Quarter Aldershot made a significant announcement on the uranium mineralisation encountered in the Sage Plain Project area. As Aldershot's major shareholder, Royal is keen to ensure our shareholders are aware of that announcement even though current ASX rules do not allow Royal to disclose its contents. Shareholders are directed to Aldershot's web page for details.

CPP are now working towards transitioning the Sage Plain Project from exploration to development.

For further information contact:

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The information contained in this report that relates to exploration results, mineral resources or ore resources is based upon information compiled by Mr Marcus Flis. Mr Flis is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Flis is a full time employee of the Company and consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Royal Resources Limited

ABN

34 108 102 432

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Curent quarter \$A'ooo	Year to date (6 months) \$A'ooo
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(2,818)	(3,924)
(b) development	-	-
(c) production	-	-
(d) administration	(1,302)	(2,331)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	132	189
1.5 Interest and other costs of finance paid	-	-
1.6 Income tax benefit	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(3,988)	(6,066)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(241)
(b) equity investments	-	(1,323)
(c) other fixed assets	(40)	(147)
1.9 Proceeds from sale of:		
(a) prospects	7,000	7,000
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(18)	(33)
Net investing cash flows	6,942	5,256
1.13 Total operating and investing cash flows (carried forward)	2,954	(810)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	2,954	(810)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	276	6,846
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (from Aldershot Resources Ltd for property acquisitions and operating expense prior to settlement of vend in, refer 2.1)	(30)	377
	Net financing cash flows	246	7,223
	Net increase (decrease) in cash held	3,200	6,413
1.20	Cash at beginning of quarter/year to date	7,948	4,732
1.21	Exchange rate adjustments to item 1.20	(5)	(2)
1.22	Cash at end of quarter	11,143	11,143

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Curent quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	191
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Not Applicable

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,526
4.2 Development	-
4.3 Production	-
4.4 Administration	1,026
Total	3,552

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	143	948
5.2 Deposits at call	11,000	7,000
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	11,143	7,948

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-

+ See chapter 19 for defined terms.

6.2 Interests in mining tenements acquired or increased

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities Shares	305,832,636	305,832,636	-	-
7.4 Changes during quarter				
(a) Increases through issues	2,785,859 5,000	2,785,859 5,000	\$0.10 \$0.12	\$0.10 \$0.12
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-

+ See chapter 19 for defined terms.

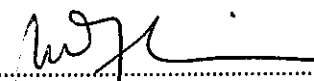
Appendix 5B
Mining exploration entity quarterly report

7.7	Options (description and conversion factor)	34,748,382	34,748,382	<i>Exercise price</i> \$0.12	<i>Expiry date</i> 31/10/2013
		1,500,000	-	\$0.30	06/04/2012
		6,750,000	-	\$0.50	30/06/2012
		1,500,000	-	\$0.50	06/04/2013
		3,000,000	-	\$0.30	30/11/2013
		1,720,000	-	\$0.08	30/04/2013
		1,125,000	-	\$0.30	13/05/2013
		150,000	-	\$0.30	19/07/2013
		1,780,000	-	\$0.24	09/06/2014
		4,500,000	-	\$0.55	26/11/2014
		5,750,000	-	\$0.28	29/11/2015
		6,750,000	-	\$0.21	27/11/2016
7.8	Issued during quarter	6,750,000	-	\$0.21	27/11/2016
7.9	Exercised during quarter	2,785,859	2,785,859	\$0.10	31/10/2011
		5,000	5,000	\$0.12	31/10/2013
7.10	Expired during quarter	969,778	969,778	\$0.10	31/10/2011
		55,000		\$0.30	13/05/2013
		80,000		\$0.24	09/06/2014
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Managing Director)

Date: 31 January 2012

Print name: Marcus Flis

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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