

**ASX Announcement: ROY**  
**28 January 2010**



**SECOND QUARTER ACTIVITIES & CASHFLOW REPORT ENDING 31 DECEMBER 2009**

**IRON ORE AUSTRALIA**

- Acquisition of the Razorback Iron Project successfully completed
- Field work and data acquisition under way at Razorback
- Significant iron intercept at Hippo Prospect, Warriedar JV  
20m @ 60.95% Fe, 7.55% SiO<sub>2</sub>, 0.19% Al<sub>2</sub>O<sub>3</sub>, 0.115% P
- Mt Margaret and Mt Lockyer exploration licences in the Hamersley Basin sold

**GOLD AUSTRALIA**

- Drilling programme completed at Water Tank Gold Project

**URANIUM NORTHERN TERRITORY**

- New exploration licence granted for northern extension of Adelaide River Mine mineralisation
- Two exploration applications north of the Ngalia lease submitted
- Soil survey generates drill target at Waterhouse West Project

**URANIUM USA**

- Numeric modelling of airborne EM data completed and drill permitting initiated

**CORPORATE**

- A 1 for 1 Rights Issue with attaching 1 for 3 Options was successfully completed, raising \$10.803 million before costs

## **IRON ORE AUSTRALIA**

### **RAZORBACK IRON PROJECT**

On 24 November 2009 Royal announced it had completed the acquisition of the highly prospective Razorback Iron Project, located in South Australia, by way of a Tenement Sale Agreement. EL4267 is now owned 100% by Royal. Royal also holds an option, renewable yearly for up to ten years, for all iron ore on EL3927 and EL3997.

#### **Razorback EL4267: Royal (100%)**

EL4267 covers 60km<sup>2</sup> of the central portion of the outcropping Braemar Iron Formation, a magnetite-rich tillite. During the Quarter, geological mapping was completed at 1:25,000 scale as a prelude to prospect scale mapping and drill programme planning. A high-resolution aeromagnetic and radiometric survey was also commissioned. This survey commenced in mid December and is expected to be completed by the end of January with final data delivery expected by the end of February.

Planning is currently underway for the first phase of drilling to be started on the Razorback Prospect by the beginning of March, Exploration Work Approvals, clearances, and availability of resources permitting.

#### **EL3927 and EL3997: Royal (100%, iron only)**

ELs 3927 and 3997 cover over 1,450 km<sup>2</sup> with in excess of 100 strike kilometres of the target Braemar Iron Formation.

A high-resolution aeromagnetic and radiometric survey has been commissioned to cover these two tenements and is being done in conjunction with that been flown over EL4267. As with that survey, the data is expected to be delivered by the end of February 2010.

Work on these two tenements will be aligned with that planned for EL4267 with geophysical surveys, geological mapping, and drilling expected to be undertaken during the first year.

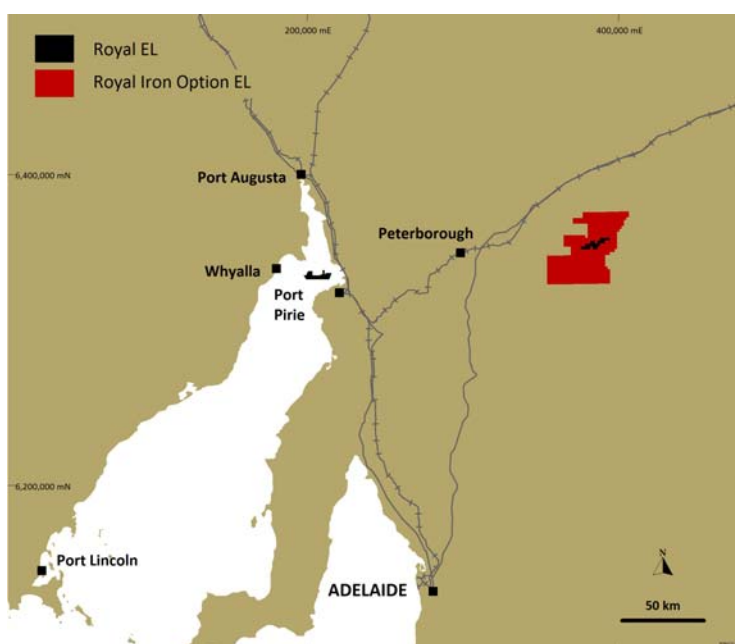
#### **Partnership with Sin-Tang**

On 8 October 2009, Royal announced a landmark agreement with Singapore based trader Sin-Tang Development Pte Ltd. A Memorandum of Understanding has been agreed and executed with Sin-Tang for Sin-Tang to finance the Razorback Iron Project to a Bankable Feasibility Study and attain a 50% joint venture interest in the magnetite ore from an area designated the Red Dragon. This finance will be made available once the Red Dragon area has a minimum 250Mt Inferred Resource defined on it. The MOU is currently being negotiated into a Joint Venture Agreement, a process that is expected to be finalised during the current quarter.

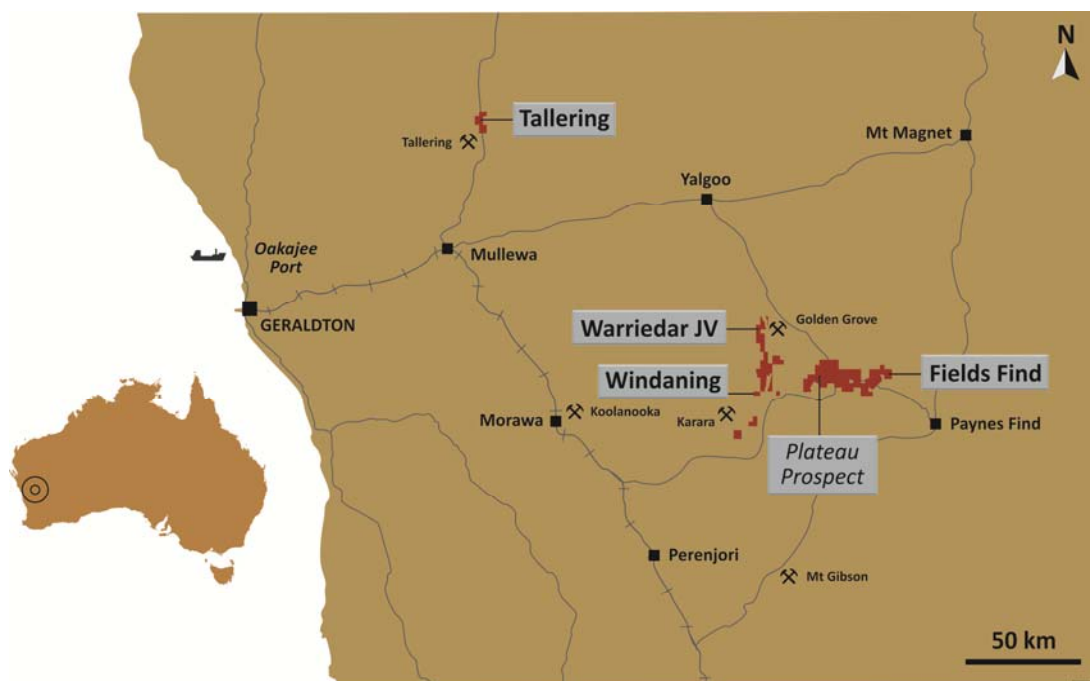
### **MID WEST IRON ORE PROJECTS**

Royal holds 459 km<sup>2</sup>, incorporating 38 exploration licences, mining leases, and prospecting permits in the Mid West (Figure 2). Of these, 137 km<sup>2</sup> are in the Warriedar Joint Venture with Gindalbie Metals Ltd, in which Royal has a 40% interest, and 322 km<sup>2</sup> are 100% owned by Royal. The target in all is for high grade hematite iron ore.

**Figure 1: Razorback Iron Project Location**



**Figure 2: Roval's Mid West Tenement holdings at 31 December 2009**



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

Drill testing of outcropping hematite enrichment on the Hippo Prospect (E59/935) was foreshadowed in the last Quarterly report and reported on 18 December 2009. Four RC holes, for a total of 238 metres, were drilled on two sections 300 metres apart.

Drill results suggest that the BIF varies from 25 to 40 metres in thickness. The mineralised zone occurs on the footwall contact with an ultramafic schist and carbonaceous shale and is about 10 to 15 metres thick. Significant intersections (>57% Fe) from this drilling are:

Hole ID	East (m)	North (m)	From (m)	To (m)	Interval (m)	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%	LOI%
HIC002	493460	6781200	45	65	20	60.95	7.55	0.19	0.115	0.077	4.46
<i>including</i>			50	65	15	64.31	3.15	0.21	0.124	0.064	3.91

**Note:** A nominal cut off of 57% Fe with a maximum of 2metres internal waste was used to define significant ore intersections  
Table 1: Hippo Prospect RC Drill Results

The mineralisation intersected at Hippo is highly significant as it occurs in an area of subdued topography with very poor surface exposure of the BIF due to colluvial cover. The mineralisation is open for 300 metres to the north and completely open to the south.

Further drilling is planned for 2010 to follow up the intersected mineralisation along strike and dip.

Drilling at Main Track (E59/1333) was terminated early with four of the proposed six holes drilled. The 238 metres drilled produced no high grade hematite intercepts and the area has now been downgraded.

## PILBARA IRON ORE PROJECTS

Royal has over the past year reduced its exposure in the Pilbara region and now maintains a core holding around the Yarrintree lease where the focus is on exploring for high grade iron ore.

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

Heritage surveys are being awaited as a prelude to initial drilling on Yarrintree.

## **Mt Margaret EL47/1611 and Mt Lockyer EL47/1612**

As announced on 18 December, 2009, the Mt Margaret and Mt Lockyer tenements were sold to Fortescue Metals Group Limited for a consideration of \$75,000. A review of operations led to the conclusion that these tenements were both too small and unlikely to hold any significant iron mineralisation that would be of economic benefit to Royal. That conclusion was supported by field inspection and geophysical interpretation.

## **GOLD AUSTRALIA**

### **Water Tank P63/1361, 1362, and 1363: Royal (100%)**

An aircore drilling campaign was conducted on the property to drill test three prospects as a follow-up on past drill results. The programme targeted untested structural corridors identified from the interpretation of re-processed aeromagnetic data and previous drilling results. These include narrow but high grade intercepts of 1m @ 12.2g/t gold from 24m (WTAC085) and 1m at 9.2g/t from 70m (WTR006) at the Empire Rose Prospect and lower grade but thicker intercepts of 8m at 1.77g/t gold from 24 metres (WTRC025) at the Jezebel Prospect. A total of 46 holes for 1,413m was drilled. Assays are awaited.

## **URANIUM AUSTRALIA**

Royal is the operator-manager of four projects in the Northern Territory under an earn-in agreement with Aldershot Resources Ltd, a Toronto Stock Exchange listed company (Figure 3).

**Figure 3: Project Locations, Northern Territory**



### **George EL24550: Royal (earning 60%), Royal manages**

During the quarter the licence was renewed for a further 12 months, the remaining airborne anomalies were ground checked, an orientation soil survey was undertaken, and the areas of drilling activity during 2009 were rehabilitated before the wet season commenced. The orientation

soil survey around the Adelaide River Mine clearly defined an anomalous trend with up to 5.7ppm U over a background of 0.1 ppm U with associated copper and arsenic.

EL27354 (Amangal) adjacent to the George licence and covering the northern extension of the Adelaide River Mine mineralisation trend has been granted.

#### **Waterhouse West EL24563: Royal (earning 60%), Royal manages**

The Licence is currently being renewed, a soil survey was completed over selected areas and the historical airborne magnetic radiometric surveys were reprocessed. The recently completed government airborne EM survey over the project area will be reprocessed.

Soil sampling has been undertaken over a fold closure adjacent to the Giant's Reef Fault; the area having been identified by an anomalous airborne radiometric feature. The soil assays returned up to 2,547ppb U against an average of 414ppb U. An anomalous rock chip assay of 90ppm U was obtained in the area also. The prospect will be drill tested in 2010.

#### **ABC ELA24555: Royal (earning 60%), Royal manages**

A proposal has been received from the Northern Lands Council for an Exploration Agreement and is being considered.

#### **Ngalia EL24571: Royal (earning 60%), Royal manages**

The Licence was renewed during the quarter, the airborne magnetic survey was reprocessed and an Exploration Agreement was finalised with the Central Land Council on behalf of the traditional owners. Regulatory approval was also received for drilling on the licence area. Heritage clearance is now being awaited before drilling can commence.

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

These tenement applications, north of the Aldershot-Royal JV Ngalia tenement were advertised on 4 November which initiated the mandatory 4 month notification period.

### **URANIUM USA**

Royal's uranium exploration activities in the USA are controlled by four joint ventures, of which Royal is the manager-operator of three (Figure 4).

#### **Egnar – Lynx-Royal Joint Venture: Royal (90%), Royal manages**

Following the assessment of last year's drilling results and interpretation of the high resolution aeromagnetic and radiometric survey, five high priority prospects have been identified for testing by drilling. Twenty three holes for a total of 12,985 feet (3,957 metres) are planned. Permitting is now in progress. The drilling programme will be expanded contingent on drilling costs. It is expected that drilling could commence by the end of March, following the spring thaw.

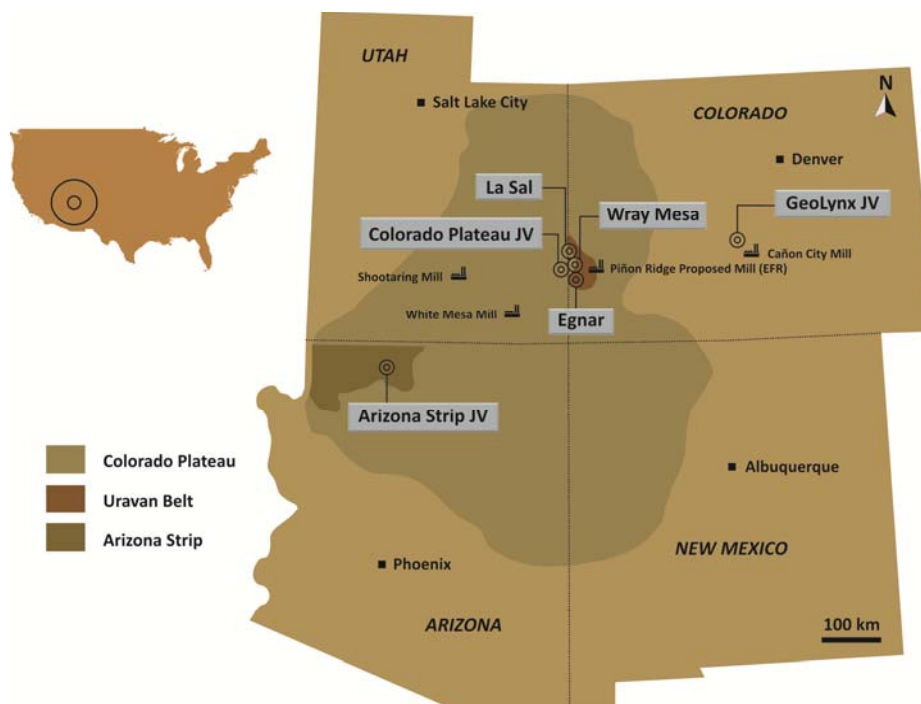
Assessment of the historic drilling data from the Blue Creek Mine in the Slick Rock area has been completed. In excess of 60 drill holes were cleaned out and logged with a natural gamma tool to assess uranium content. Tonnage estimates indicate that the mineralisation is likely to be in the range of 1,025 to 1,523t grading 0.069 to 0.136% eU<sub>3</sub>O<sub>8</sub><sup>1</sup>. The area has little room to expand this mineralisation estimate and no further work will be undertaken.

#### **Colorado Plateau Joint Venture: Royal (45%), Royal manages**

The Colorado Plateau Partners Joint Venture (CPPJV), a 50:50 JV between the Lynx-Royal JV and Toronto Stock Exchange listed Energy Fuels Resources (TSX:EFR).

<sup>1</sup> eU<sub>3</sub>O<sub>8</sub> or equivalent U<sub>3</sub>O<sub>8</sub> refers to values derived from calibrated downhole natural gamma logging. Calibration is undertaken in holes that have known U<sub>3</sub>O<sub>8</sub> concentrations as measured by conventional chemical assaying. The calculation does not take into account disequilibrium or elements other than uranium. Geochemical **assaying** may show lower or higher concentrations of U<sub>3</sub>O<sub>8</sub> than that obtained through calculation from logging data.

Figure 4: Project Locations, USA



During the Quarter, the **Hop Creek** claims (Figure 5) were tested with three holes to follow up on two holes drilled previously. The holes were designed to test possible mineralisation extensions to that defined by Atlas Minerals, Hunt Oil and Climax Uranium from the early 1960s to the mid-1980s to the south and west.

As reported on 18 December 2009, a total of 2,402 feet (732 metres) were completed with the following results based on calibrated gamma-ray wire line logging:

<b>HC09002</b>	<b>582.7 to 584.9 ft, 2.2 feet (0.7m) @ 0.017% eU<sub>3</sub>O<sub>8</sub></b>
<b>HC09009</b>	<b>463.7 to 464.7 ft, 1.0 foot (0.3m) @ 0.029% eU<sub>3</sub>O<sub>8</sub></b>

On the basis of these results, drilling of the remaining eight holes has been suspended whilst an assessment of the drilling results is completed.

Four drill holes, for a total of 1,120 feet (341 metres) has been completed at the Bush Canyon prospect (Figure 5). Best results, based on calibrated gamma wire line logging are:

<b>BC-09-004</b>	<b>130.9 to 133.4 ft, 2.5 feet (0.76m) @ 0.013% eU<sub>3</sub>O<sub>8</sub></b>
<b>and</b>	<b>337.1 to 338.6 ft, 1.5 feet (0.46m) @ 0.118% eU<sub>3</sub>O<sub>8</sub></b>

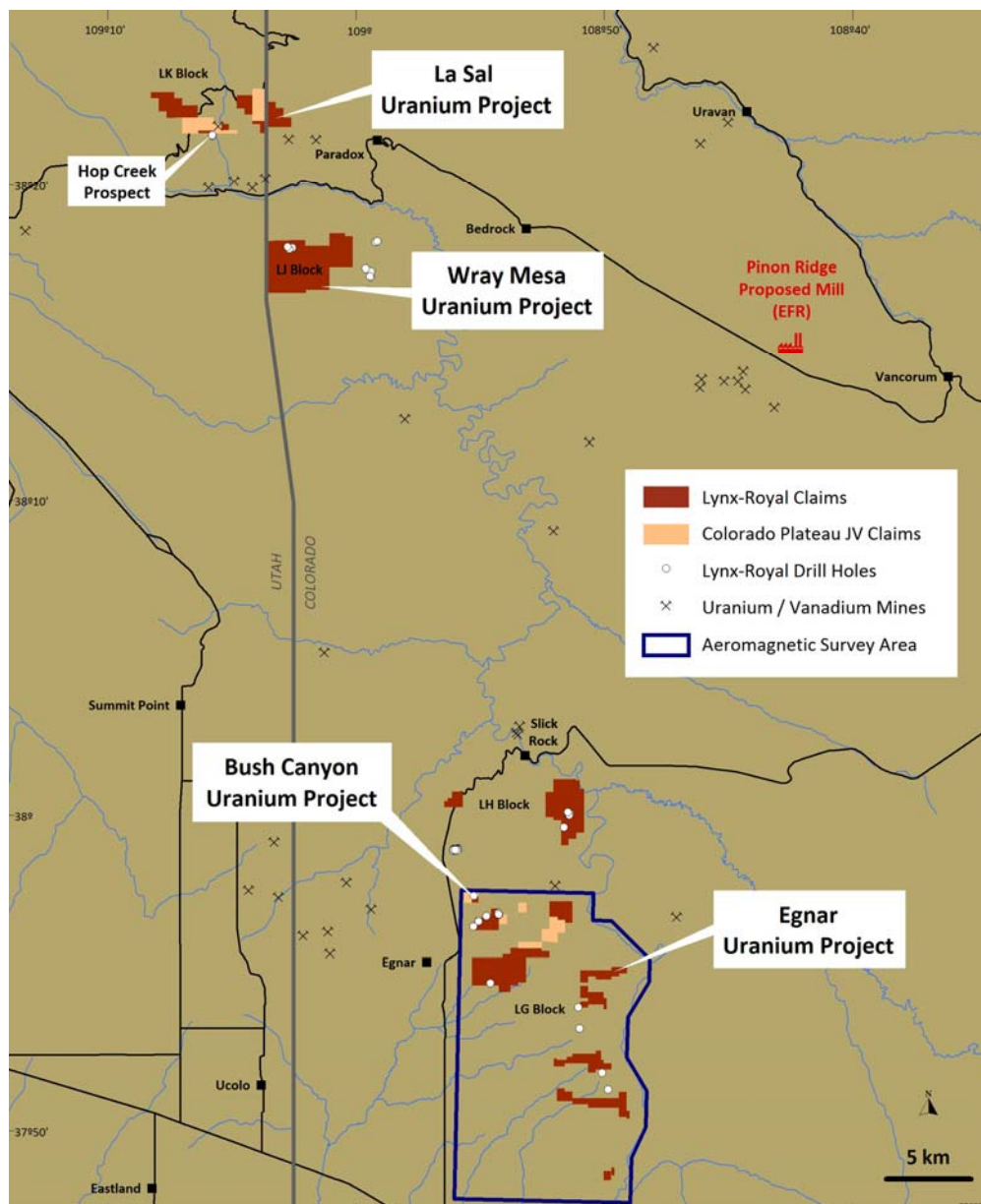
On the basis of these results, follow-up drilling will be undertaken on this prospect, beginning with deepening of three of the existing holes in the next few weeks. Six additional holes are in the process of being permitted for drilling following snow-melt.

### Tallahassee Creek - Geolynx Joint Venture: Royal (80%), Royal manages

Five drill holes have been designed to test historic mineralisation previously intersected north and east of the Last Chance Uranium Mine on the Crampton Claims. Cyprus Mining undertook drilling in the area in the 1980s, prior to the uranium price crash, and recorded several holes as having “ore grade” and “mineralised” intercepts<sup>2</sup>. The proposed drilling programme totalling 1,750 feet (533 metres) will test the veracity of the historic record and provide evidence as to the grade and thickness of any uranium present. Permitting for this drilling is underway.

<sup>2</sup> The use of the term “ore grade” here is only to replicate wording used in historic exploration reports. It is not intended that the term signifies that economic mineralisation in fact occurs at the location. Further drilling may or may not discover mineralisation that may or may not be economic.

Figure 5: Prospect Locations, Colorado, USA



### Arizona Strip – Arizona Strip Partners Joint Venture: Royal (50%), Energy Fuels manages

Royal is in a 50:50 JV with TSX-listed Energy Fuels Resources in the Arizona Strip (Figure 4).

All VTEM airborne EM modelling on data collected at the end of 2008 has now concluded and target prioritisation started. An early onset of winter snows has curtailed any drilling on the properties until snow-melt - late March at the earliest.

For further information contact:

**Marcus Flis**  
**Managing Director**  
**+61 8 9322 8542**

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.

Name of entity

**ROYAL RESOURCES LIMITED**

ACN

**34 108 102 432**

Quarter ended ("current quarter")

**31 DECEMBER 2009**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(872)	(1,678)
(b) development	-	-
(c) production	-	-
(d) administration	(343)	(625)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	42	67
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(1,173)</b>	<b>(2,236)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	(4,950)	(4,950)
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	15
(b)equity investments	-	493
(c)other fixed assets	-	24
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – redemption of security deposits	64	615
Other – payment for controlled entities	250	-
Other - payment for Licences and Software	(6)	(8)
<b>Net investing cash flows</b>	<b>(4,642)</b>	<b>(3,811)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(5,815)</b>	<b>(6,047)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(5,815)	(6,047)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	14,240	14,240
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 – share issue costs	(684)	(684)
	<b>Net financing cash flows</b>	<b>13,556</b>	<b>13,556</b>
	<b>Net increase (decrease) in cash held</b>	<b>7,741</b>	<b>7,509</b>
1.20	Cash at beginning of quarter/year to date	2,351	2,583
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,092	10,092

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	145
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

Not Applicable

- 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
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### 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	500
4.2	Development	-
	<b>Total</b>	500

### 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	1,410	220
5.2	Deposits at call	8,682	2,131
5.3	Bank overdraft	-	-
5.4	Other (bank guarantees)	-	-
	<b>Total: cash at end of quarter (item 1.22)</b>	10,092	2,351

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**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	-	-	-
6.2	Interests in mining tenements acquired or increased			

**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 (description)	-	-	-
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities	226,079,656	-	-
7.4	Changes during quarter			
	(a) Increases through issues	118,039,828 13,869,108	\$0.10 \$0.15	- -
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities (description)	-	-	-
7.6	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through securities matured, converted	-	-	-

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		3,500,000	-	\$0.20	31/01/2011
		6,750,000	-	\$0.50	30/06/2012
		250,000	-	\$0.34	10/01/2011
		1,350,000	-	\$0.50	15/01/2011
		250,000	-	\$0.20	9/03/2010
		500,000	-	\$0.40	9/03/2010
		1,400,000	-	\$0.25	06/04/2011
		1,500,000	-	\$0.30	06/04/2012
		1,500,000	-	\$0.50	06/04/2013
		360,000	-	\$0.34	30/06/2011
		3,000,000	-	\$0.30	30/11/2013
		100,000	-	\$0.08	31/12/2011
		1,900,000	-	\$0.08	30/04/2013
7.8	Issued during quarter	5,000,000	-	\$0.10	01/11/2011
		4,500,000	-	\$0.55	26/11/2014
7.9	Exercised during quarter	100,000	-	\$0.25	06/04/2011
		60,000	-	\$0.34	30/06/2011
		250,000	-	\$0.20	09/03/2010
		1,300,000	-	\$0.20	31/01/2011
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law 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:  
(Director /Company Secretary)  
Print name: FRANK DE MARTE

Date: 28 January 2010

## **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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