

**ASX
ANNOUNCEMENT**

26 July 2006

Royal Resources Limited
ABN 34 108 102 432

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regarding Royal Resources
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**FOURTH QUARTER ACTIVITIES REPORT
& CASHFLOW REPORT
30 JUNE 2006**

HIGHLIGHTS

- **Royal Resources joins Geraldton Iron Ore Alliance in the development of iron ore resources and planned infrastructure development in the Midwest region.**
- **Announces iron ore Joint Venture with Gindalbie Metals Ltd on the Warriedar tenements with expenditure of \$1 million over three years.**
- **Additional Exploration Licences and Prospecting Licences applied for in the Rothsay and Thatcher project area covering prospective Banded Iron Formation units within a meta-sediment stratigraphy.**
- **Surface rock chip channel sampling over the Bismarck and Thatcher iron ore prospect areas contains prospectivity for both magnetite and hematite resources. Drilling is planned for late July.**
- **Reconnaissance drilling completed at Plateau Ironstone project.**
- **Drilling completed on the Baron Rothschild gold project confirms the presence of a greater than 12 metre wide gold mineralised footwall lode.**

INTRODUCTION

Royal Resources Limited (“Royal Resources”) is a major tenement holder in the Midwest Iron Ore Province in Western Australia. In the last 10 years the Midwest region has become one of Western Australia’s major iron ore resource growth areas. The region hosts the State’s largest base metal mine at Golden Grove and there are presently major developments planned for iron ore and gold projects. (See attached tenement location plan).

GERALDTON IRON ORE ALLIANCE

Royal Resources has joined the Geraldton Iron Ore Alliance (“Alliance”) and will be working alongside Mt Gibson Iron Ore Limited, Gindalbie Metals Ltd (“Gindalbie”), Midwest Corporation Limited, Murchison Metals Limited and Golden West Resources Limited in the exploration and development of the regions iron ore resources.

The benefits of this Alliance are considerable. In the short term the sharing of technical knowledge between members will enable the assessment of resources to be carried out more effectively and in better time frames than achieved by working in isolation. In the longer term the planning and establishment of infrastructure will be paramount to successfully developing the regions resources and the Alliance is in place to achieve these objectives.

IRON ORE EXPLORATION

Royal Resources exploration is continuing to advance a number of exploration projects particularly at the Thatcher and Plateau prospect areas. The granting of the E59/1154 covering the highly prospective Bismarck prospect is imminent and will be a focus for exploration within the coming weeks.

Pinyalling Hills Iron Ore Project

The Pinyalling Hills Project covers all prospective iron ore prospects within Royal Resources tenements located in the Midwest Iron Ore Province of Western Australia.

Warriedar Joint Venture

The Warriedar Joint Venture between Gindalbie (60%) and Royal Resources (40%) covers tenements located within the Midwest Iron Ore Province.

In May 2006 an agreement was reached whereby Gindalbie will spend \$1 million over 3 years to earn a 60% equity in any iron ore resource on the Warriedar tenements. Gindalbie must spend a minimum of \$300,000 in the first year which must include 1,500 metres of drilling.

Thatcher Prospect

At the Thatcher Prospect an aerial photographic mapping at 1:25,000 has been completed. This detailed work has identified numerous iron formation units within the prospective meta-sedimentary units to the east of the Rothsay goldmine. A ground reconnaissance mapping and sampling program is underway to delineate the extent of these Banded Iron Formation (“BIF”) units – particularly in areas where there is no mapped surface exposure. Airborne magnetics data indicate that the BIF units have been tightly folded and abut intrusive granite to the south of the prospect where alteration of the units to hematite could be expected. Rock chip sampling has returned significant assay values from around this area with maximum values of 60.91% Fe.

Bismarck Prospect

The Bismarck Prospect area is located to the north of the Baron Rothschild gold mine and intermittently outcrops over a strike distance of 5 kilometres. Recent mapping and sampling indicate the prospect zone to be wider and more extensive than first reported and has potential for hosting both hematite and magnetite iron ore resources. The granting of the Exploration Licence covering the Bismarck prospect is expected shortly. Botanical surveys have been undertaken covering this prospect area and the reports of this work will be available in late July.

Three Sisters Prospect

The Three Sisters Prospect comprises a number of parallel BIF units that are tightly folded and adjacent to a major regional NE/SW fault structure. Rock chip sampling indicates alteration of the BIF units and this considerably enhances the areas prospectivity for hematite resources. Rock chip assaying from the sparse outcrop in the area has returned assay values up to 59% Fe.

Plateau Ironstone Project

The Plateau Ironstone project covers an area of about 23 km² and sits on top of the extensive Fields Find ultramafic layered intrusive. The project is in the very early stages of assessment. In April (9) bulk samples for metallurgical testing were collected from areas of outcropping ironstone. AMMTEC (Australian Metallurgical and Mineral Testing Consultants) carried out metallurgical testing of the samples with results indicating that broad areas of the Plateau were comparable to the "channel iron deposits" found in the Pilbara region of WA. Additional bulk samples from the central area of the Plateau prospect are now being assessed. Previous wide spread sampling returned encouraging results with the better Fe grades ranging from 57.5% to 60.0%. A reconnaissance reverse circulation drilling program was recently completed at the Plateau prospect with holes drilled at 500 metre spacing along the 10 kilometre baseline. Results from this program will be available in the near future.

GOLD EXPLORATION

With spot gold maintaining a price above A\$800 per ounce Royal Resources is reviewing its gold resources. Royal Resources tenements in the Midwest Province contain significant JORC compliant inferred gold resources at Rothsay (87,300 ounces – 247,900 tonnes @ 10.95 g/t gold) and Baron Rothschild (61,560 ounces – 800,465 tonnes @ 2.39 g/t gold).

The recently announced acquisition of the Minjar Gold Project from Gindalbie Metals by Monarch Resources Limited ("Monarch") will result in an increased gold exploration focus in the region. The future development of gold resources by Monarch will considerably enhance the development opportunities for both the Rothsay and Baron Rothschild gold resources.

Baron Rothschild Project

In early July 2006 two reverse circulation drill holes were completed to test an interpreted footwall lode within the Baron Rothschild gold resource. Both holes intersected wide zones greater than 12 metres of gold mineralization from the 4 metre composite sampling. The results of the drilling will be reported when the 1 metre assay samples have been received.

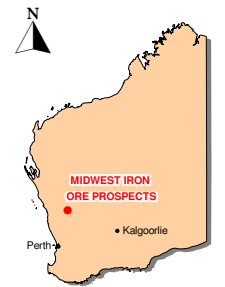
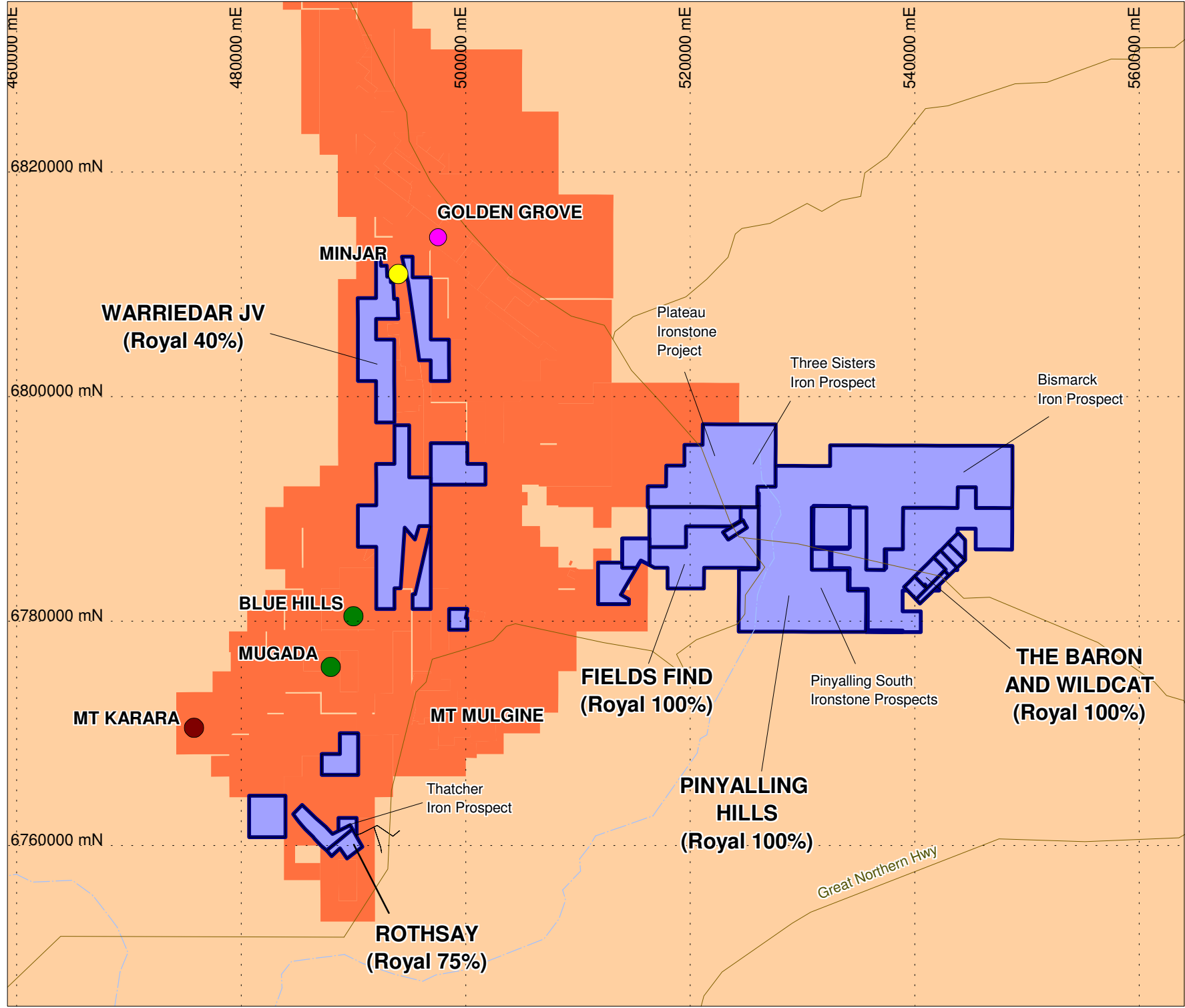
Fields Find Project

The Fields Find and the Pinyalling Hills areas also have a number of gold mineralized areas that have not been evaluated in any detail. These will continue to be re-assessed to determine if there is potential for upgrading the areas of established mineralization.

CORPORATE

Royal Resources successfully raised \$4.024 million and was admitted to the Official List of the Australian Stock Exchange Limited. Royal Resources securities commenced trading on 6 April 2006.

The details contained in this report that pertain to ore and mineralisation is based upon information compiled by Mr Bryan Bourke, a full-time employee of the Company. Mr Bourke is a Member of the Australasian Institute of Geoscientist (AIG) 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 December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Bourke consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears.



Legend

- Royal Resources Tenements
- Royal Resources joint venture Tenements
- Other Tenement holder/s
- BIF Banded Iron Formation
- Current projects:**
- Gold
- Base metal
- Hematite iron ore
- Tungsten
- Magnetite iron ore



MIDWEST IRON ORE PROJECTS
Royal Resources and Joint Venture Areas

Drawn By: KL	Plan No.: RR0013
Checked by: BB	Date: 02/06/06
Projection: MGA Zone 50 (GDA 94)	Scale: 1:450,000 at A4

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

ABN

34 108 102 432

Quarter ended ("current quarter")

30 June 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(209)	(453)
(b) development	-	-
(c) production	-	-
(d) administration	(185)	(213)
1.3 Dividends received		-
1.4 Interest and other items of a similar nature received	28	28
1.5 Interest and other costs of finance paid		-
1.6 Income taxes paid		-
1.7 Other (provide details if material)		-
Net Operating Cash Flows	(366)	(638)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(10)	(14)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(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)	-	-
Net investing cash flows	(10)	(14)
1.13 Total operating and investing cash flows (carried forward)	(376)	(652)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(376)	(652)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2	4,726
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	14	170
1.17	Repayment of borrowings	(413)	(613)
1.18	Dividends paid	-	-
1.19	Other – share issue expenses	(240)	(399)
Net financing cash flows		(637)	3,884
Net increase (decrease) in cash held		(1,013)	3,232
1.20	Cash at beginning of quarter/year to date	4,247	2
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,234	3,234

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	30
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

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	450
4.2 Development	-
Total	450

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	220	23
5.2 Deposits at call	3,028	4,224
5.3 Bank overdraft	-	-
5.4 Other (bank guarantees)	-	-
Total: cash at end of quarter (item 1.22)	3,248	4,247

Appendix 5B
Mining exploration entity quarterly report

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	Pinyalling	E59/1108	70 blocks	35 blocks
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 <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	50,071,198	41,036,529	-
7.4	Changes during quarter (a) Increases through issues (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	-	-	-

Appendix 5B
Mining exploration entity quarterly report

7.7 Options <i>(description and conversion factor)</i>			Exercise price	Expiry date
	20,114,406	20,120,003	\$0.20	11/07/2007
	23,909,406	23,909,406	\$0.20	11/11/2009
	4,000,000	-	\$0.20	31/01/2011
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	10,900	10,900	\$0.20	11/07/2007
	294	294	\$0.20	11/07/2009
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <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:

Company Secretary

Date 26 July 2006

Print name:

FRANK DE MARTE

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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