



ROYAL
RESOURCES LIMITED

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

CORPORATE INFORMATION

DIRECTORS

Philip G Crabb

Non-Executive Chairman

Marcus F Flis

Managing Director

(Appointed 11 August 2009)

Frank DeMarte

Executive Director

Brian D Richardson

Non-Executive Director

Rick W Crabb

Non-Executive Director

(Resigned 11 August 2009)

Malcolm J Randall

Non-Executive Director

COMPANY SECRETARY

Frank DeMarte

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CHAIRMAN'S LETTER

Dear Shareholder

I am pleased to present the 2009 Annual Report for Royal Resources Limited ("Royal").

Royal was affected like many small exploration companies due to the recent turmoil on financial markets however I am pleased that Royal used the opportunities presented during that uncertain period to conclude a significant corporate transaction to ensure we remained relatively well funded up to the present time.

A sale transaction of the Rothsay gold areas concluded in 2007 year also helped considerably as those funds become available in the 2008 – 2009 year.

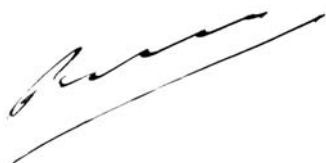
History shows that shortly after the Prairie Downs Project was sold market conditions deteriorated significantly. Although iron ore for the early to mid part of 2008 was considered the year's shining light, it wasn't immune to these market pressures and as a result the iron ore spot price declined 60% between October and March 2009. The importance for Royal securing the cash associated to the sale of Prairie Downs was significant as it provided the opportunity for ongoing exploration of our retained projects.

Another important corporate transaction Royal concluded in February 2009 was a joint venture into four (4) Northern Territory Uranium projects held by Toronto Listed Aldershot Resources Ltd. The fundamentals of that agreement relate to Royal having the right to earn 60% interest in the four projects by spending \$300,000 on exploration each year for three years. Our Board considers the joint venture was a great opportunity for Royal to explore projects situated in both highly prospective and mining friendly uranium province. Three of the Projects are located in the Pine Creek Orogen, one of the world's premier uranium provinces. The fourth project Ngalia, is located in the Ngalia Basin, central Australia near Alice Springs. Exploration activity including a drilling program at the George Project commenced in July this year.

Elsewhere on the exploration front, activities continued at our uranium properties in the United States and our iron ore projects in Western Australia's Mid West Region and Pilbara Region. For a detailed report relating to the activities undertaken at all of our project areas during the year please refer to the Review of Operations section of this Report.

I would like to acknowledge and thank my fellow Directors, Frank DeMarte, Brian Richardson, Malcolm Randall and in particular Rick Crabb, who resigned on the 11 August 2009 due to increased work commitments with other Companies of which he is a Director. Rick made a significant contribution to Royal from our inception and on behalf of my fellow Directors and Shareholders I sincerely thank him. I would like to congratulate Marcus Flis who has been promoted by the Board from Chief Executive Officer to Managing Director. Special thanks must go to our loyal shareholders who have supported us during some tough times this year. The Board is confident your patience and commitment will be rewarded in the foreseeable future.

Yours sincerely



Philip G Crabb
CHAIRMAN

REVIEW OF OPERATIONS

EXPLORATION ACTIVITIES

Royal Resources Limited explores for uranium and iron ore in the two low sovereign risk countries of Australia and the USA. During the past year, exploration efforts have increasingly concentrated on advancing our uranium assets in the USA and starting work on our newly acquired projects in the Northern Territory.

In February 2009 Royal announced an entry into a package of ground prospective for uranium exploration in the Northern Territory. This includes two blocks in the Pine Creek Orogen and one in the Ngalia Basin. The former are south and south east of the historically productive Rum Jungle uranium field and contain historic mines that produced at 0.5% U₃O₈ head grade. The latter is along strike of the c10,000tU Bigryli uranium deposit that grades at around 0.21% U₃O₈. An additional block on the southern margin of the Pine Creek is at the application stage.

In the USA, Royal is a party to four joint ventures, of which Royal is the manager-operator of three. These cover ground in the highly productive Uravan Belt of the Colorado Plateau and the Arizona Strip. The partnerships deliver Royal strategic alliances by giving us access to uranium milling facilities and emerging land opportunities.

Royal maintains exploration tenements in both the Pilbara and Mid West regions of Western Australia where the primary focus of exploration is high grade hematite. The principal iron ore interest is the Shine Direct Shipping Ore hematite deposit, held under the Warriedar Joint Venture with Gindalbie Metals Ltd.



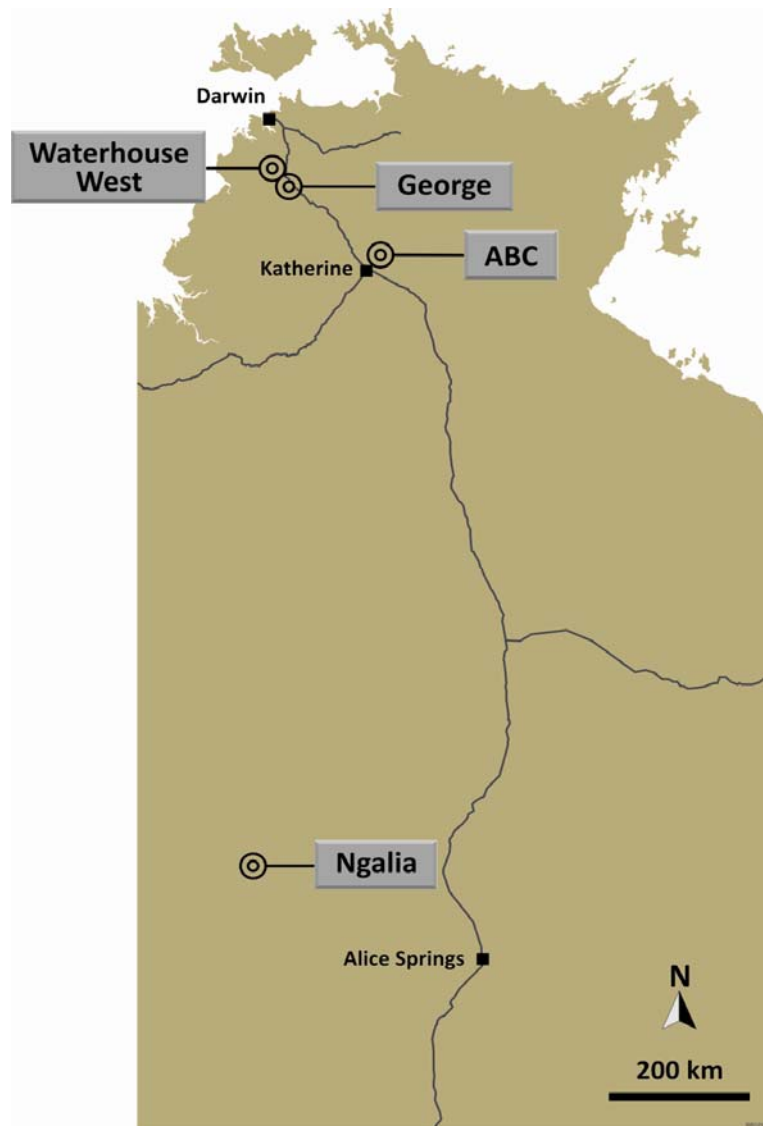
Project Locations Map

REVIEW OF OPERATIONS (continued)

NORTHERN TERRITORY URANIUM

The Northern Territory contains some of Australia's most prospective ground for uranium. The Territory has a currently producing uranium mine, Ranger, which accounts for over 10% of the world's new uranium supply.

In February 2009, Royal announced it had entered into a Heads of Agreement with Aldershot Resources Ltd, a Toronto Stock Exchange listed company, to earn-in to their four projects in the Northern Territory. Royal has committed to spending \$300,000 per year for three years for a 60% ownership in George EL24550, Waterhouse West EL24563, ABC ELA24555, and Ngalia EL24571.



Northern Territory Project Locations

NT Uranium Projects

- George EL24550– Pine Creek Orogen
- Waterhouse West EL24563– Pine Creek Orogen
- ABC ELA24555– Southern McArthur Basin
- Ngalia EL24571– Ngalia Basin

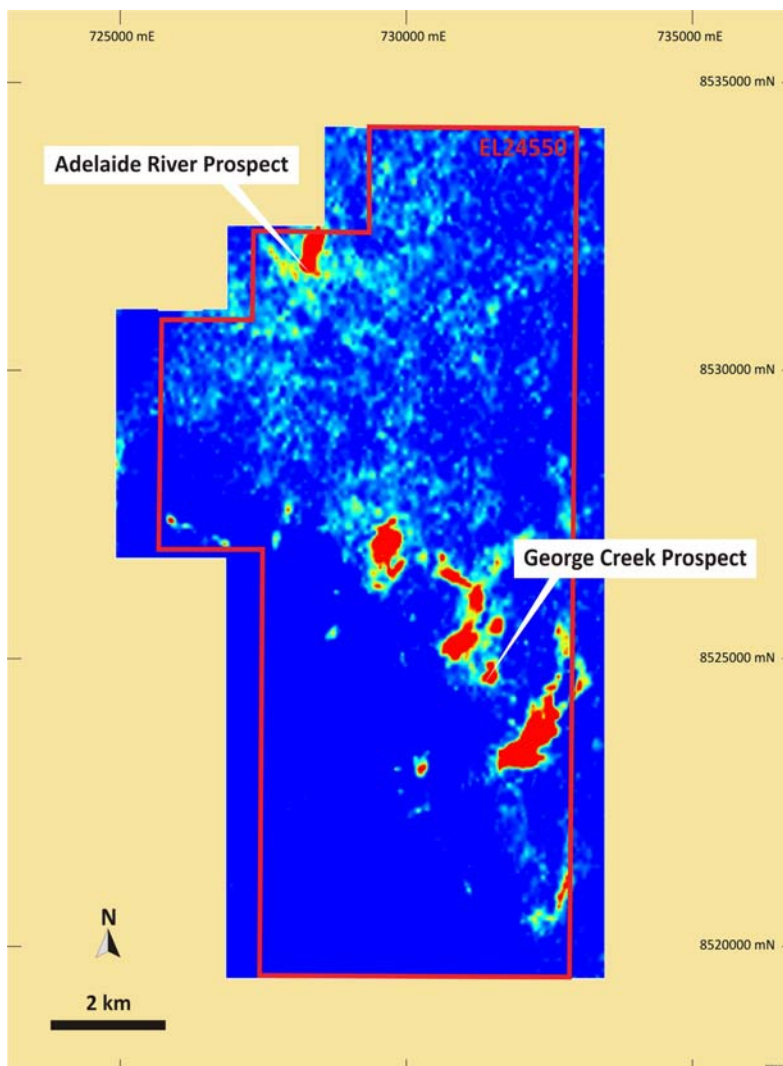
REVIEW OF OPERATIONS (continued)

George

George is located 95 km south of Darwin in the Northern Territory immediately southwest of Adelaide River. It covers 84 km² and lies within the Pine Creek Orogen, host to the Rum Jungle, South Alligator and East Alligator uranium fields with the historical Rum Jungle Uranium Field 30 km to the north.

The tenement contains the historical Adelaide River and George Creek Mines, both developed on vein-style uranium deposits. During the mid-1950's Adelaide River Mine produced uranium ore at an average grade of 0.5% U₃O₈ while George Creek produced at an average grade of 0.26% U₃O₈. Both have historically defined mineralisation remaining.

Previous work by Aldershot included airborne radiometric surveying, geological mapping, outcrop sampling, and initial diamond drilling. Surface sampling returned results up to 4.0% U₃O₈. Drilling at Adelaide River returned a best intersection of **7.1m @ 0.35% U₃O₈**, (7.7 lb/t) including **4m @ 0.72% U₃O₈** (15.8 lb/t) and at George Creek a best intersection of **1m @ 0.48% U₃O₈** (10.6 lb/t) was obtained.



George radiometric image. The data shown is U²/Th, a commonly used discriminator for uranium mineralisation. In this image yellows and reds are values over 20 and are considered to be highly anomalous.

Royal plans to undertake ground radiometric surveys and follow-up drilling at both the Adelaide River and George Creek prospects. Ongoing work, in the form of surface sampling and reconnaissance mapping, will also be undertaken over the rest of the tenement in the coming year.

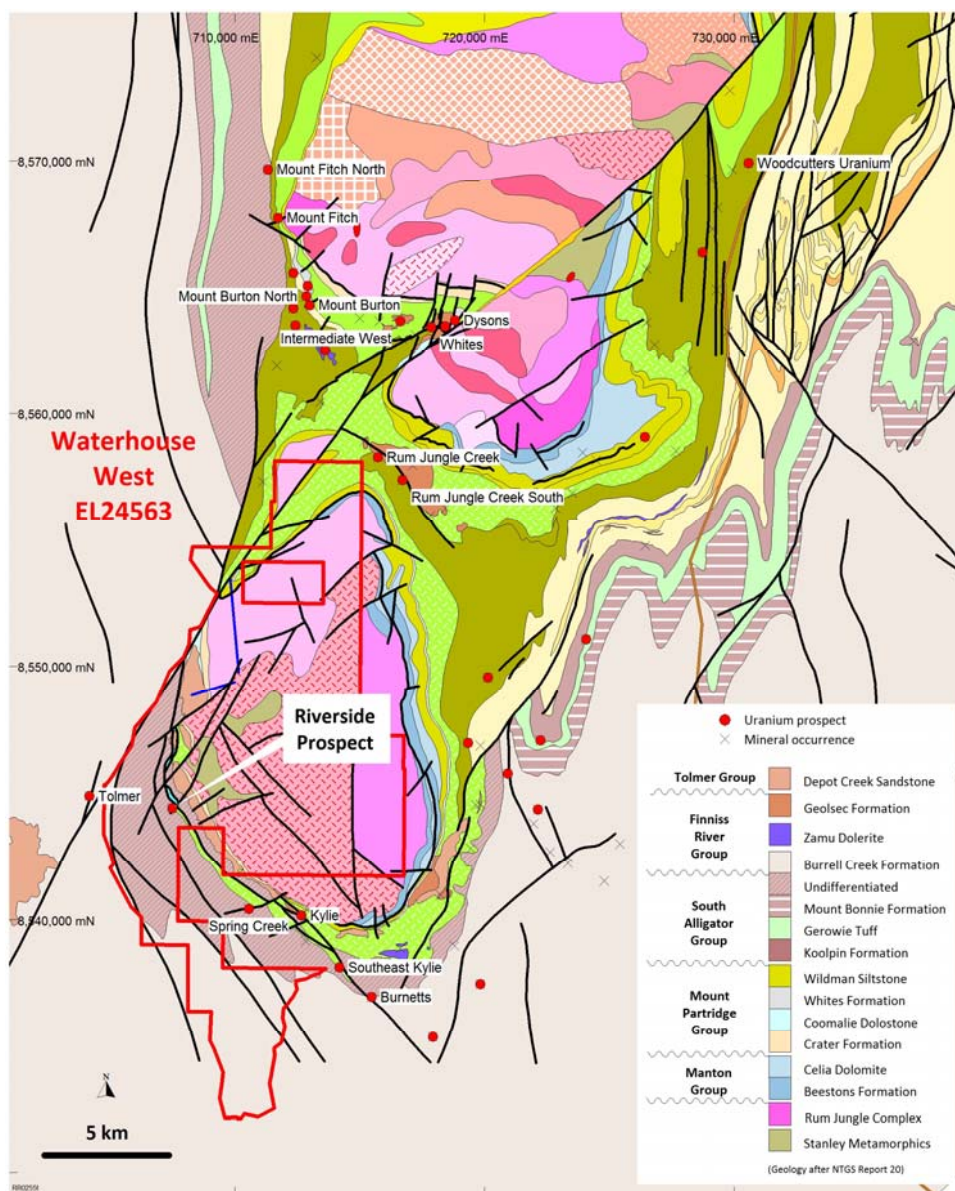
REVIEW OF OPERATIONS (continued)

Waterhouse West

Waterhouse West is in the Rum Jungle uranium field and less than 2 km from the south-west of Rum Jungle Creek South Mine, the largest of the Rum Jungle mines. The tenement covers a 10 km strike length of the highly prospective Coomalie contact and 6 km of the Riverside Anomalous Zone (RAZ) defined by UAL in 1981. The target is unconformity-style uranium.

Future work will be focussed on outlining areas for definitive drilling within the RAZ by RAB drilling.

Both the George and Waterhouse West tenements have taken on increased significance with Energy Resources Australia recent upgrading of resources at their Ranger uranium mine. The newly discovered Ranger Deep, a fault controlled mineralised system, indicates that the unconformity-related Ranger orebody is closely associated with a deep seated, long lived mineralised fault system. George lies adjacent to the Adelaide River Fault and Waterhouse West lies adjacent the Giant's Reef Fault.



Geology of the Waterhouse West area.
The Riverside Anomalous Zone occurs on the western side of the Waterhouse Granite in undifferentiated lithologies equivalent to those that host the Rum Jungle uranium mines.

REVIEW OF OPERATIONS (continued)

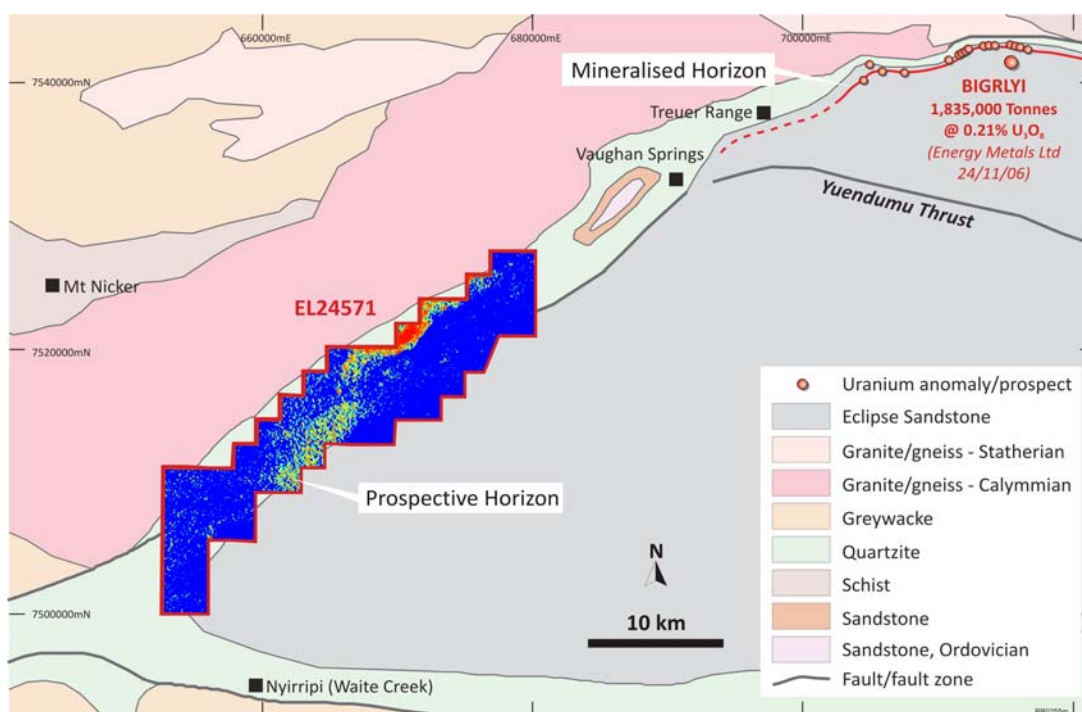
ABC

ABC is a 37 km² application located 16 km to the north-east of the town of Katherine. The target is a vein/unconformity style in the McAddens Creek Volcanic Member of the Kombolgie Sandstone. The prospect was drilled in 1954 by the BMR with intercepts of up to **4.29% eU₃O₈ (95.6 lb/t)**. There has been no modern exploration undertaken in the area since. ABC is currently under access agreement negotiation with the free-hold title holders. The agreement is likely to be finalised in early 2010.

Ngalia

The Ngalia Basin is host to the sandstone hosted Bigrlyi uranium deposit. This deposit, owned by Energy Metals Ltd, Paladin Energy Ltd, and Southern Cross Exploration NL, has an Inferred and Indicated Resource of around 8,000tU @ 0.13% U₃O₈. The Ngalia tenement lies 45 km along strike to the southwest, covering 28km of the concealed but prospective Mt Eclipse Sandstone, host to the Bigrlyi deposit.

Royal submitted an application for drilling co-funding under the Northern Territory's Bringing Forward Discovery Drilling Collaboration initiative and was successful in attracting 50% funding for a diamond drilling programme. Once the access agreement is finalised with the Central Lands Council, anticipated to occur by the end of 2009, this drilling, along with geophysical surveying and additional RC drilling, will commence.



Ngalia lies along the western edge of the Ngalia Basin, along strike of the Bigrlyi uranium resource.

USA URANIUM

Royal's USA based exploration team is focussed on the assessment of uranium targets in two highly prospective and historically productive fields: the Uravan Mineral Belt in Colorado and the Arizona Strip, both on the Colorado Plateau. The Plateau is an area of long-lived geological stability that has allowed uranium mineralisation to occur and has been the source of a majority of the USA's uranium production.

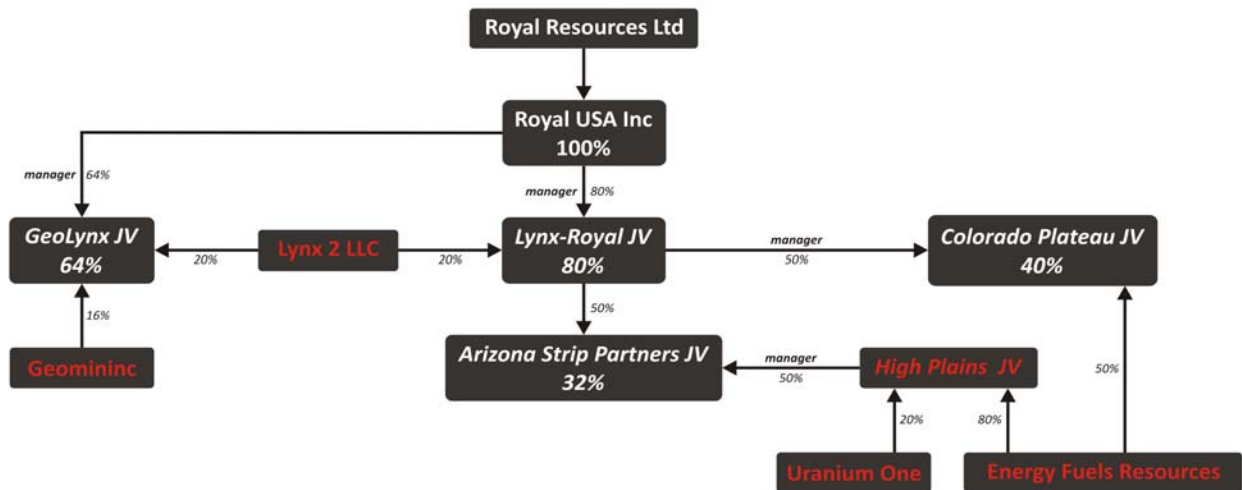
Royal's interest in these areas is based on:

- the sovereign risk-free status of the USA;
- the probable expanding domestic demand of the US nuclear fuel economy;
- the long history of uranium production and social acceptance of uranium exploration and mining;
- the well developed regulatory regime that supervises uranium exploration and mining;
- the historically high-grade resources associated with this geological terrains; and
- the previously poor application of modern exploration techniques.

REVIEW OF OPERATIONS (continued)

With the ever-increasing concerns of the world's governments over carbon pollution, there is a considerable push to double the number of nuclear power generation plants in the USA by 2020. The current administration has extolled the virtues of self-reliance in energy, emphasising the appeal of indigenous uranium.

Royal's USA uranium exploration activities are imbedded in four joint ventures. The key partnership is with Lynx Exploration and Mining LLC through their operating subsidiary Lynx 2 LLC. Energy Fuels Resources was attracted to Royal because of our large ground holding and their need to find feed for their planned uranium mill at Piñon Ridge, 25 km from Royal's tenements. EFR is a Toronto Stock Exchange listed company that evolved from the 1980's uranium miner Energy Fuels Nuclear Inc. The two joint ventures formed with EFR gives Royal an opportunity to access their planned mill.



USA Joint Venture structure



USA Project Locations

REVIEW OF OPERATIONS (continued)

USA URANIUM PROJECTS

- Egnar Uranium Project – Colorado, USA
- Wray Mesa Uranium Project – Colorado / Utah, USA
- La Sal Uranium Project – Colorado / Utah, USA
- Colorado Plateau Joint Venture.- Colorado / Utah , USA
- Arizona Strip Partners Joint Venture – Arizona ,USA
- Geolynx Joint Venture – Colorado, USA

LYNX-ROYAL JOINT VENTURE

A cornerstone JV with Lynx Exploration and Mining LLC has been used to stake a large claim area in the Uravan. The Uravan is a rich, well prospected but poorly explored uranium-vanadium province in the USA. Producing since 1885, it has delivered over 30% of the USA's uranium from over 2,500 uranium mining operations producing at an average grade of 0.32% U_3O_8 . Royal owns 80% of this JV and has taken over management and operation of all exploration activities. Costs have been driven down and productivity increased significantly as a result.

Egnar, La Sal, and Wray Mesa Uranium Projects

The LRJV controls in excess of 198 km² of claims in three major groupings: Wray Mesa, La Sal, and Egnar Projects. The target is sandstone hosted tabular uranium hosted in the palaeochannel-dominated Salt Wash Member of the Jurassic Morrison Formation.

During the year, the main activities that were pursued were:

1. a drilling campaign of 39 holes for 5,614 metres;
2. sourcing of historic drilling information;
3. testing the first application of a high resolution aeromagnetic and radiometric survey in the Uravan; and
4. assessment of all claims as a prelude to claim reduction.

The drilling campaign produced several mineralised intercepts. At Egnar the most encouraging was **3.05m @ 435ppm U_3O_8** and 2,043 ppm vanadium from 120.4m, including **1.52m @ 690ppm U_3O_8** and 3,610 ppm vanadium from 120.4m. A zone of thin elevated uranium mineralisation was obtained in the Wray Mesa Project, with a peak value of **0.3m @ 980ppm eU_3O_8** from 134.1m. These results indicate that the areas tested certainly contain uranium and all that has to be done is to find the centre of the mineralisation.

Drilling results from work carried out by Union Carbide and the Atomic Energy Agency in the 1970s and 1980's were obtained for the northern Egnar area. These have been used as the basis for an interpretation of the high resolution aeromagnetic survey completed over Egnar in late 2008, the first such survey ever undertaken in the Uravan Mineral Belt. The survey showed that favourable uranium trap sites may be directly detectable by the method, based on the historic drilling results. The interpretation has produced a number of high priority targets which are planned for drilling over the next year.

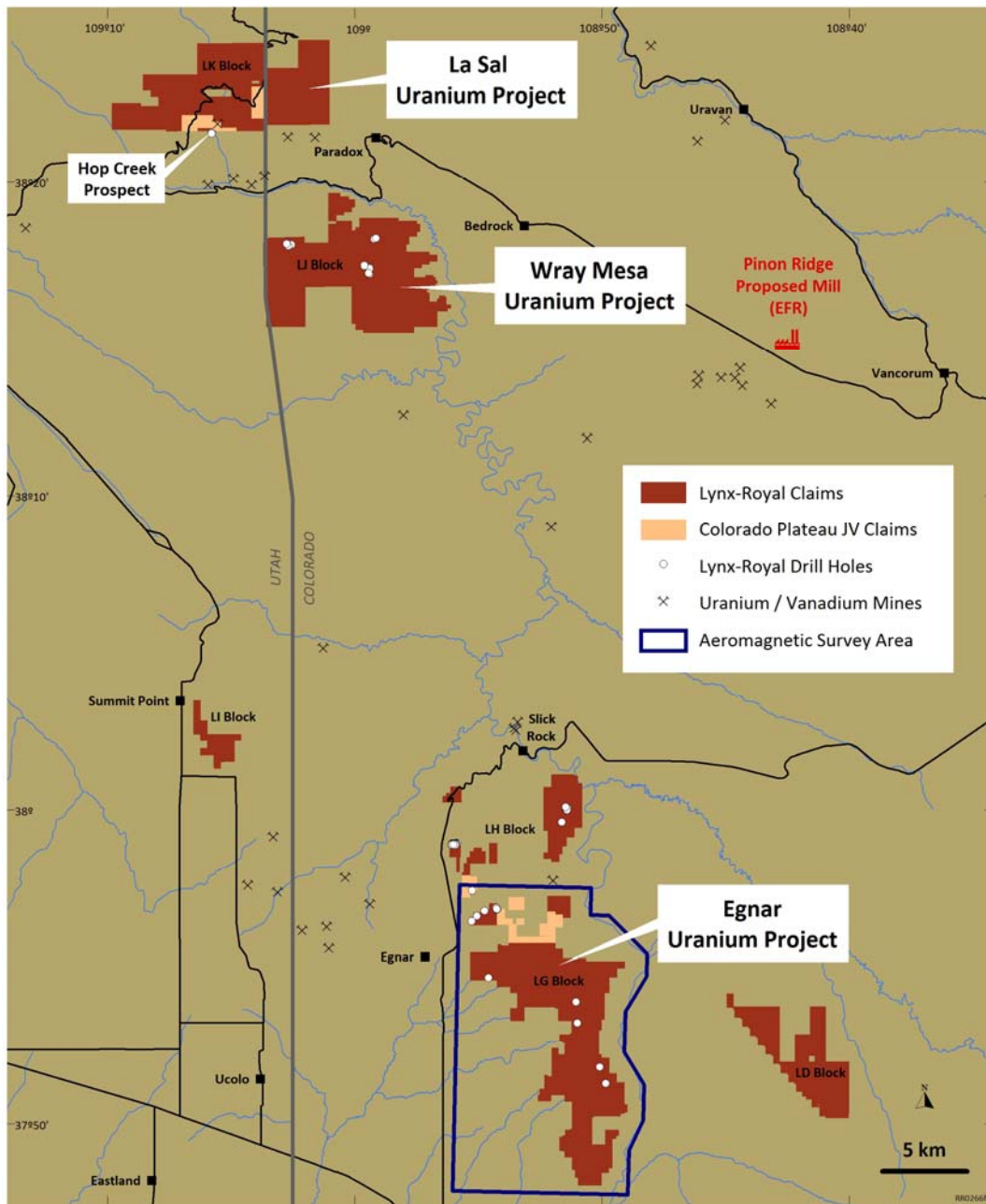
Both the drilling and aeromagnetic data were used as inputs into area assessment which, together with reviews of all three project areas will result in the disposal of low priority claims.

COLORADO PLATEAU JOINT VENTURE

A 50%:50% joint venture with EFR, of which Royal is the manager, is in place to extend known mineralisation onto claims held by both companies. The JV allows the testing of targets common to both companies, significantly reducing costs.

The Hop Creek prospect was drilled by Hunt Oil and Climax Uranium in the early 1960's. They intersected mineralisation in the range **0.12 to 0.75% U_3O_8** in an area adjacent to the JV claims. Royal initially drilled two holes for 564m with no significant results. A re-evaluation of the data has resulted in a programme of up to eleven holes being put in place for the coming year. Permitting is underway with drilling expected to start by mid-September.

REVIEW OF OPERATIONS (continued)



Egnar, La Sal, and Wray Mesa Project Locations and Joint Venture Areas. All areas are within trucking distance of EFR's proposed Piñon Ridge uranium mill, a project which is in the final stages of permitting

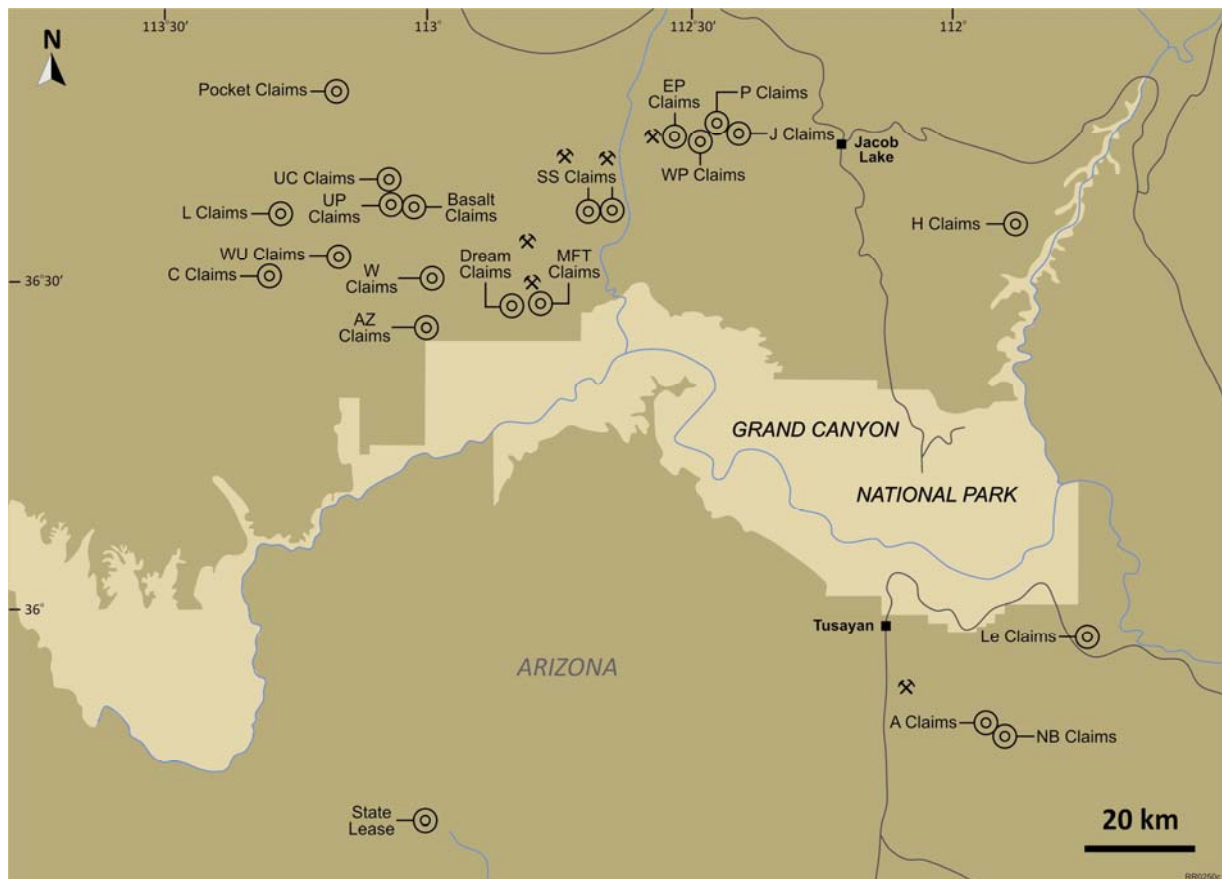
ARIZONA STRIP PARTNERS URANIUM PROJECT

The Arizona Strip Partners is a joint venture with EFR, the manager, with the LRJV is earning 50% into this project. The target being pursued by the ASPJV are the compact, but high grade collapse breccia pipes.

In July, Royal announced that it had successfully renegotiated the joint venture conditions. An adjustment to the terms had to be made to recognise a reduction in claims caused by resolution of conflicted land held by the original owner, Uranium One. EFR offered Royal an increase in the earn-in period from three years to five years and a reduction in the earn-in amount from US\$2 million to US\$1.9 million. In response to the Global Financial Crisis, Royal negotiated a further increase in the earn-in period to six years with a resultant reduction in minimum exploration expenditure from US\$470,000 to US\$150,000 (previously reported as US\$255,000).

REVIEW OF OPERATIONS (continued)

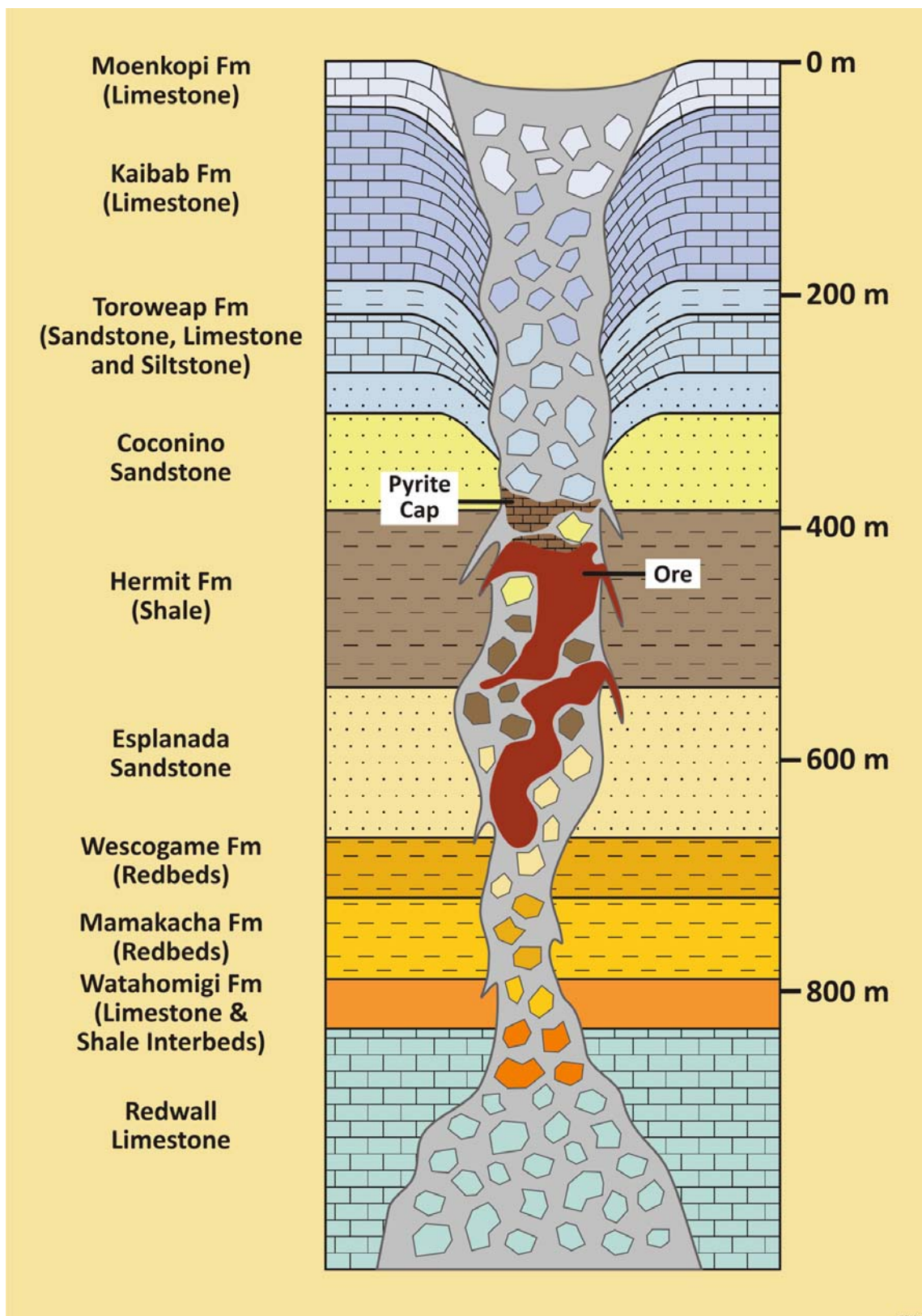
The ASPJV advanced the project on a number of fronts. A major shift in exploration methodology was promoted by Royal, with wildcat drilling being replaced by modern exploration techniques. An airborne electromagnetic survey, using the VTEM method, was flown in order to attempt to directly detect the existence of mineralised breccia pipes. This was, in part, a response to the completion of drill testing of the Weap Pipe last year. Initial deep drilling of the Weap Pipe failed to test the target. The final hole intersected the target zone and confirmed the pipe was barren. The VTEM is expected to not only map the pipe geometry at depth, but directly test for mineralisation by detecting the capping pyrite zone. The AEM data are now being used to prioritise this year's drilling programme. Three dimensional seismic reflection surveying is also being assessed as a possible direct targeting tool to follow-up the AEM data.



Arizona Strip Joint Venture Project Locations.
Targets tend to be covered by around 8 claims, or 0.7 square kilometres.

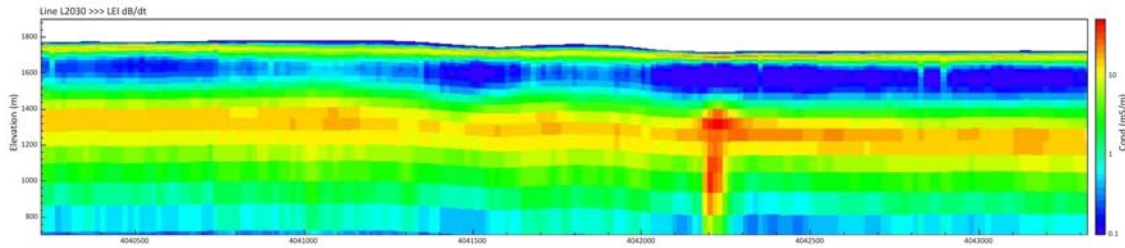
The ASPJV continues to seek additional claims for exploration. While economic conditions have made it prudent for the joint venture to withdraw from costly opportunities, those same conditions have uncovered other prospects on which negotiations are continuing.

REVIEW OF OPERATIONS (continued)



A stylised collapse breccia pipe. Note the pyrite cap above the uranium mineralisation. Historic grades of mined pipes average 0.65% U_3O_8 , although grades may exceed 10% U_3O_8 locally. The average pipe contains 3.5 million pounds of U_3O_8 (about 1,500tU). Their high grade and compactness makes them highly profitable underground operations.

REVIEW OF OPERATIONS (continued)

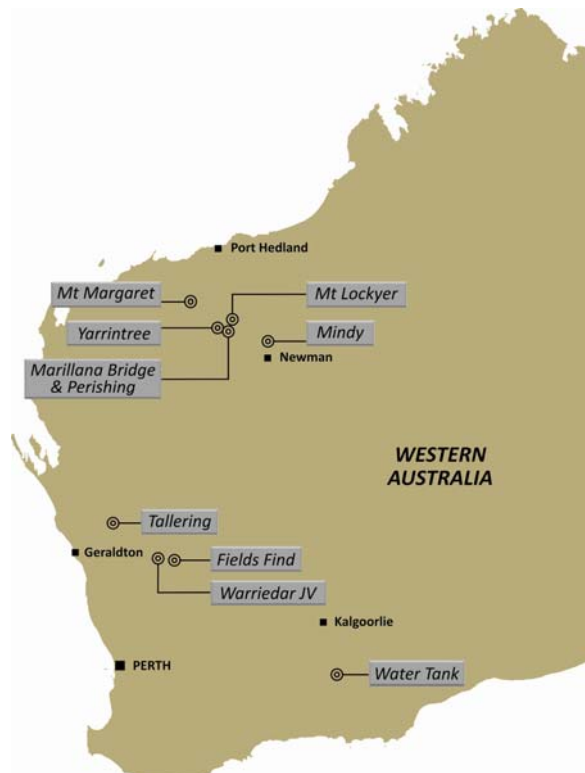


Airborne electromagnetic response attributable to a possible collapse breccia pipe.
This is an ASPJV target.

GEOLYNX JOINT VENTURE

The Geolynx Joint Venture is a partnership between Royal (64%), Lynx (20%) and Geomininc (16%) with Royal the manager. The joint venture covers 200 claims in the Thirty Nine Mile Volcanic Field which has been an historic producer.

Work on the JV has been curtailed for the most of the past year pending the outcome of County opposition to uranium mining in this district. It is anticipated that such opposition will diminish once exploration protocols are put in place by the County. In the meantime, historic drilling data for the Crampton Claims have been obtained and a ground spectrometer survey undertaken. Both are now being used to assess possible drilling targets for the coming year.



Western Australia Project Locations

WESTERN AUSTRALIA IRON ORE PROJECTS

Royal's iron ore projects in Western Australia are:

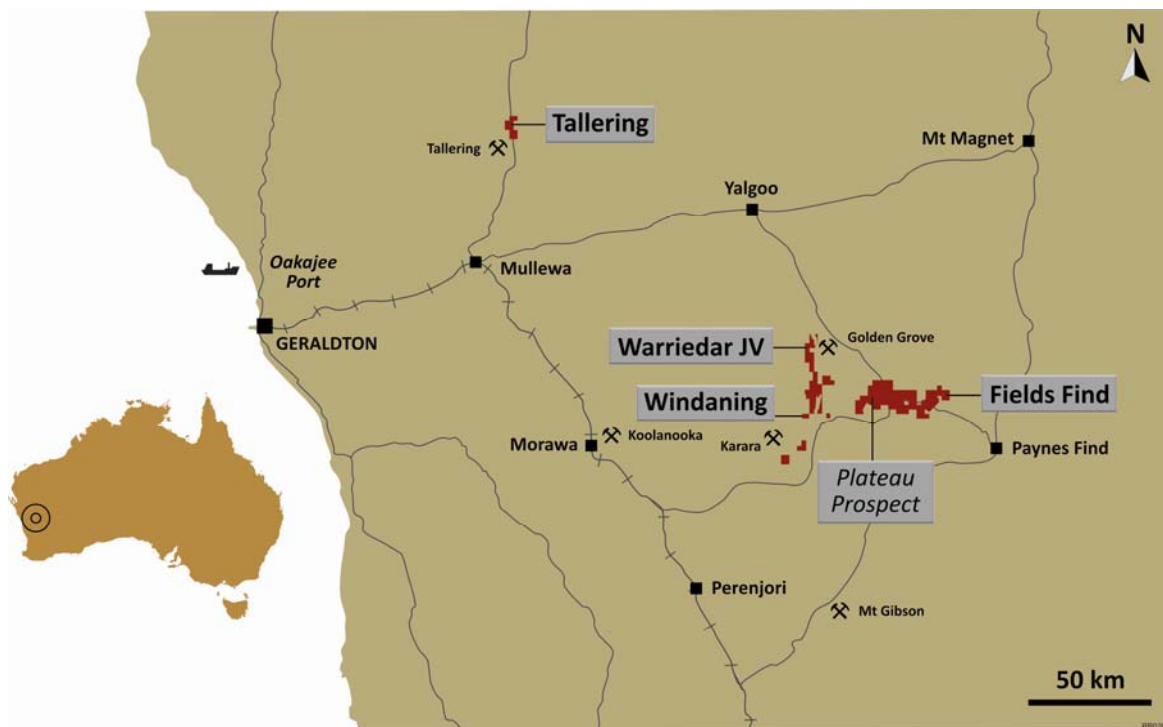
Midwest Region Projects

- Warriedar Iron Ore Joint Venture
- Fields Find Iron Ore Project
- Talling Iron Ore Project

REVIEW OF OPERATIONS (continued)

Pilbara Region

- Prairie Downs Iron Ore
- Mt Margaret Iron Ore Project
- Mt Lockyer Iron Ore Project
- Yarrintree Iron Ore Project
- Marillana Bridge Iron Ore Project
- Perishing Iron Ore Project
- Mindy Iron Ore Project



Midwest Project Locations

MIDWEST EXPLORATION

Royal holds in excess of 459 square kilometres of tenements in the Mid West. The main target is premium, DSO hematite iron ore with gold a secondary target.

The uncertainty in the iron ore reference negotiations with China, together with the economic crisis that enveloped the world in October 2008, has put Royal's exploration on hold in the Mid West. While the Company continues to view the area as highly prospective, there is a realisation that until both are resolved, the economics of starting up operations is unsustainable.

Warriedar Joint Venture

The Warriedar Joint Venture covers 137 square kilometres of the northern extensions of the Windanning Iron Formation in the Yalgoo-Singleton greenstone belt. Royal maintains a 40% ownership in the joint venture with Gindalbie Metals Ltd. owning 60%. Gindalbie is the manager.

Evaluation of the Shine DSO hematite prospect gathered pace during the last year with a second phase of drilling completed. Seven diamond holes, for a total of 584 m, were completed to gain metallurgical samples and in-fill data. The tenor of the Shine mineralisation continued with a consistent mineralised zone of +57% Fe mineralisation having continuity down dip and over a length of more than 700 m. It is still open to the north. Examples of the high grade zones drilled are:

hole SND028: **29m @ 65.27% Fe, 2.57% SiO₂, 1.62% Al₂O₃, 0.038% P, and 0.01% S**
hole SND006: **21m @ 64.76% Fe, 2.49% SiO₂, 0.96% Al₂O₃, 0.118% P, and 0.012% S.**

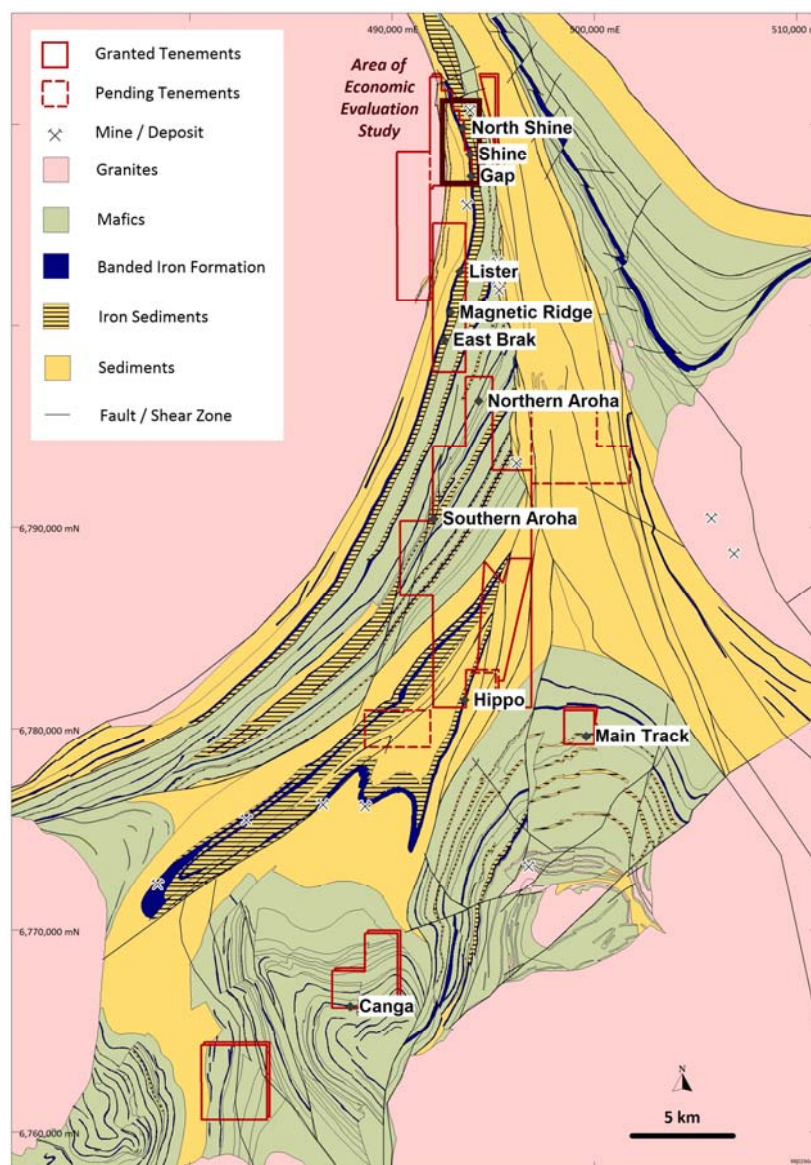
The calculation of a resource for Shine was delayed because of ambiguity in mineralised lens continuity. A third phase of drilling is planned to resolve this ambiguity.

REVIEW OF OPERATIONS (continued)

Davis Tube Recovery testing of the magnetite zone, under the Shine hematite mineralisation, showed it to be amenable to beneficiation. DTR testing returns the magnetite component of the rock. An indicative result is from hole SND008 which returned a DTR sample assay of **220m @ 70.17% Fe, 2.02% SiO₂, 0.009% P, and 0.069% S** at a per cent weight recovery of 37.17%. Recoveries up to 63.1% were obtained in the prospect. This ore could augment Gindalbie's Karara magnetite plant feedstock.

In September 2008, the Warriedar JV commissioned an Economic Evaluation Study on the Shine DSO hematite prospect. This study, a precursor to a definitive feasibility study, was completed in November and indicated that the Shine prospect has marginal economic viability under a road transport scenario. This situation was exacerbated with the recent reduction in the iron ore reference price. The joint venture partners have agreed to delay a decision on bringing the project to production; awaiting an improvement in the economic conditions. The progress of Gindalbie's Karara Magnetite Mine development is keenly monitored as this may deliver rail access to the project.

In the meantime, pre-development work continued at Shine. Fauna, flora, soils, dust, and groundwater investigations are ongoing in support of a submission to EPA WA to support the ARI level of assessment of the Shine development.



Warriedar Joint Venture Geology and Prospect Locations.
The main areas of interest are where the Windanning banded iron formation (shown in blue) comes into contact with the north-south trending Mougooderra Shear Zone.

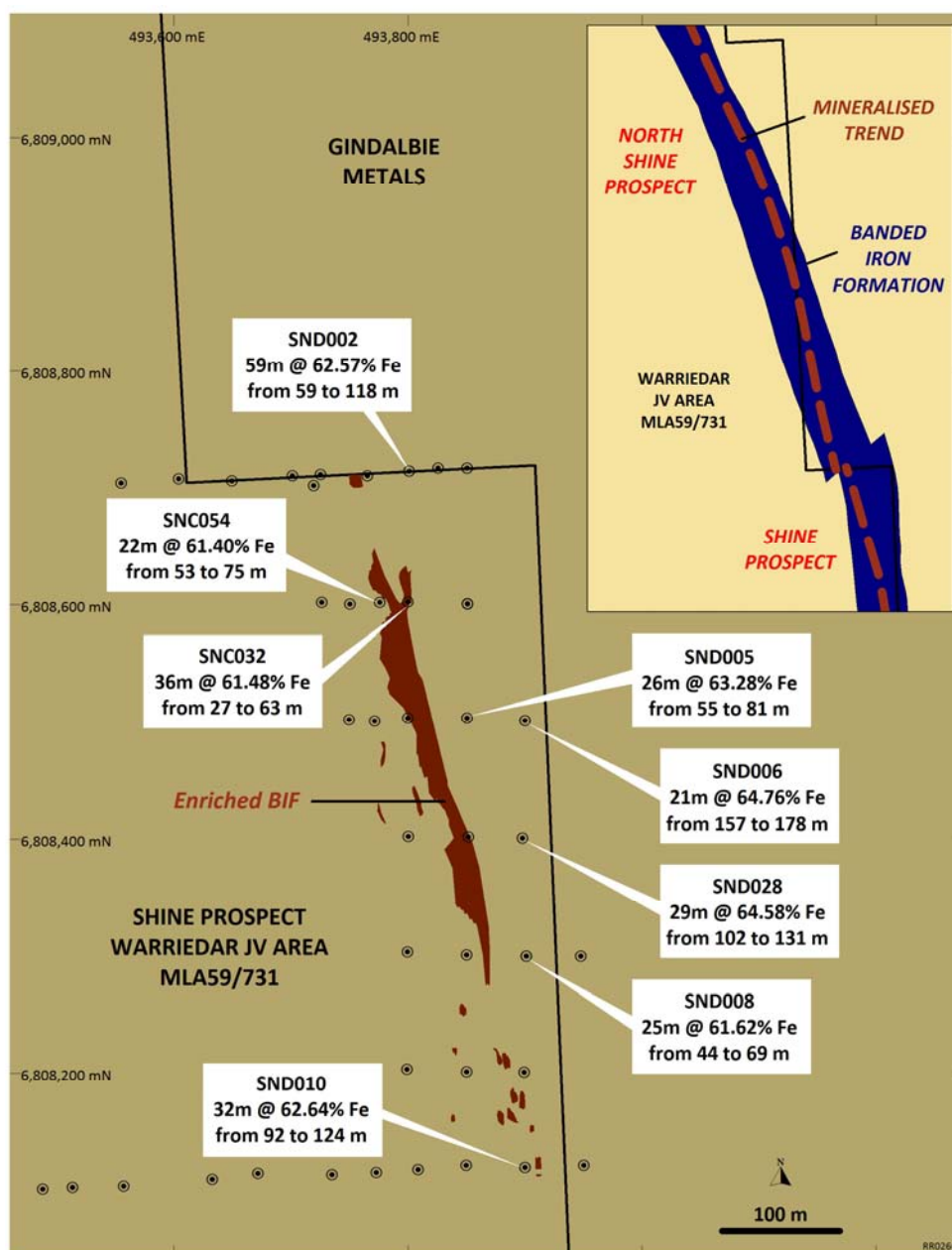
REVIEW OF OPERATIONS (continued)

At Lister prospect, 6 km south of Shine, a total of 29 RC holes, for 2,735 metres were completed. This work showed Lister to contain similar mineralisation to Shine, though at lower grades and with narrower widths:

hole SND028: 29m @ 64.58% Fe, 2.56% SiO₂, 1.61% Al₂O₃, 0.038% P, and 0.009% S

This ore could be used to blend with Shine ore to ameliorate some of the deleterious elements.

Elsewhere, geophysical surveys, including high resolution aeromagnetics and close spaced ground magnetometer surveys have been done. These will complete the coverage of the greenstone belt and assist in structural mapping, detrital iron detection, and elucidation of small scale lithologies across all prospects. Geological mapping and outcrop sampling continue to highlight additional high grade hematite prospects. Northern and Southern Aroha, North Shine, Main Track, Magnetic Ridge and East Brak Prospects all returned +57% Fe samples from outcrop and are planned to be followed up with drilling during the next year. These areas may provide valuable satellite pit ore to a Shine development.



Warriedar Joint Venture - Shine Prospect Drill Hole Locations.
 Shine has now been drilled out on an approximately 50x100m grid.
 The mineralisation is still open to the north where it re-enters Warriedar JV ground

REVIEW OF OPERATIONS (continued)

Windaning Project

Royal was successful in winning the Windaning ELA59/1522 via a ballot. The tenement covers 3.5 strike kilometres of the prospective Windaning banded iron formation. It lies 30 kilometres to the south of the Shine prospect. Whilst not yet granted, high resolution aeromagnetic data was acquired over the tenement and is undergoing interpretation.

Fields Find Iron Ore Project

Field work on the Fields Find project has been suspended pending sale of the Baron Rothschild gold resource and assessment of iron ore potential, in the form of low grade magnetite, is completed. This includes the drilling that had been proposed earlier.

Plateau Ironstone Prospect

The Plateau Ironstone Prospect is a hematite/goethite residual deposit developed on top of the mafics and ultramafics of the Fields Find layered intrusion. While of low iron grade, it represents a cheap mining opportunity and may be used to blend with Shine hematite to reduce the phosphorous content of the Shine material. In line with slowing the Shine development, work at the Plateau has been put on hold.

Baron Rothschild Gold Prospect

The Baron Rothschild gold deposit holds an inferred resource of 825,962 tonnes at 2.43 g gold for 64,590 ounces. The resource is considered too small to sustain a mining and milling operation and a buyer is being sought.

Tallering Project

Tallering E59/1117 occurs approximately four kilometres east of the Tallering Peak iron mine. It contains a banded iron formation sequence, similar to that seen at Tallering Peak. Interpretation of aeromagnetic data, collected by Royal in 2006, suggested a repetition of the fold closures and faults that control the high grade hematite at the mine. Drilling in late 2006 failed to intersect any hematite mineralisation. An extensive ground magnetic survey, geological mapping and surface sampling of outcrop were completed. This work confirmed that the ability for the tenement to host any major hematite orebody was restricted by the scale of both the folds and the thickness of the host stratigraphy. Disposal options are now being pursued for this property.

PILBARA IRON ORE EXPLORATION

Work in the Hamersley Basin of the Pilbara has been wound back over the past few months. This reflects both the decreasing opportunities that are available and the re-prioritisation of Royal's interests in uranium. The past year has seen a significant decrease in the benchmark price for iron, a clarification of the sort of deals that must be made to gain access to third party infrastructure, and a consolidation of both tenements and explorers in the Pilbara, making it a very difficult environment for any company without significant resources.

The Prairie Downs hematite target was successfully tested during 2008. However, Royal concluded that there was insufficient resource upside on that mineralisation, and the property was disposed. The Company owns five project areas: Mt Margaret, Mt Lockyer, Marillana Bridge, Perishing, and Yarrintree ELA. Exploration activities will restart once the Yarrintree tenement is granted.

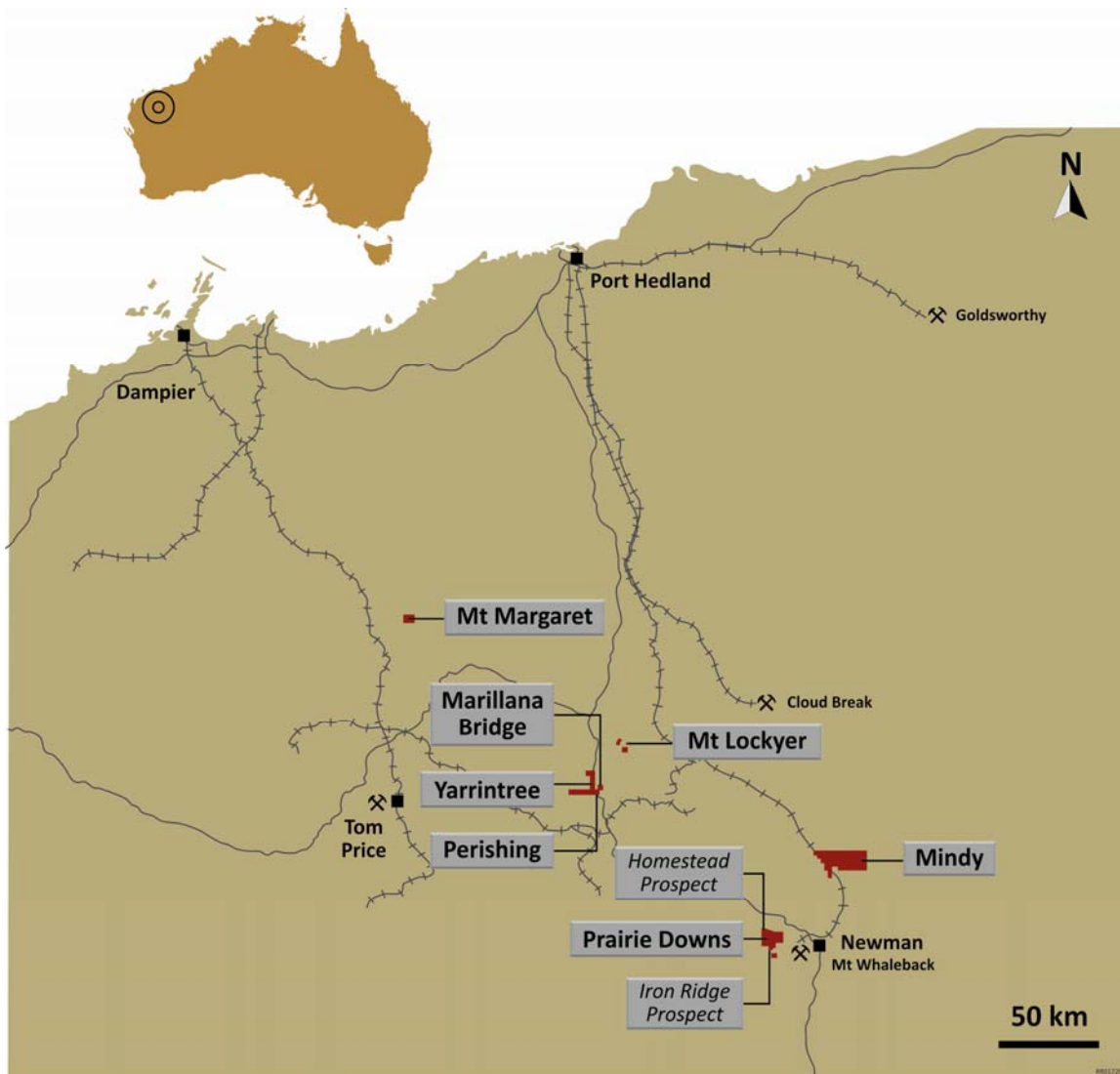
Prairie Downs Iron Ore Project

Following drilling of the property last year, it was recognised that insufficient resources exist on the Iron Ridge Prospect to provide Royal with a stand-alone mining opportunity. This was exacerbated by geological mapping of the Homestead prospect to the north that showed the Marra Mamba target was thinner and less extensive than predicted. Reconnaissance field checking of the Channel Iron Deposit prospect also revealed them to be thin. A decision was made to divest the assets and an informal tendering process was entered with four companies. Giralia Resources NL, whose neighbouring Western Creek resource is the natural extension to Royal's mineralisation, won that process. As announced in October 2008 the bid comprised \$2 million in cash and two million ordinary fully paid shares in Giralia.

Mt Margaret Project

Aerial field reconnaissance of the tenement has been undertaken. This indicated that the valleys are heavily incised and have low potential for detrital iron style mineralisation. It also confirmed the areas potentially prospective for high grade bedded iron have extremely difficult accessibility, all being atop cliff-sided mesas. Photo-interpretation failed to delineate any targets on the mesa and the tenement's priority has been downgraded.

REVIEW OF OPERATIONS (continued)



Pilbara Project Locations

Mt Lockyer Project

An interpretation of recently available aeromagnetic data has identified structural complexity in the banded iron formation that may be conducive to high-grade hematite mineralisation development. Sampling undertaken in 2006 returned assays of +58% Fe. However, limited space for a significant mineralised system has reduced the priority of this area. Field work will be undertaken as drilling programmes in other areas wind down.

Yarrintree-Marillana Bridge-Perishing Projects

Yarrintree ELA47/1927 was won by ballot in July 2008. The tenement, adjacent to Rio Tinto Iron Ore's Tarcoola bedded iron deposit and only 17 km from their railway line, has the potential for both Brockman style hematite and detrital style iron ore resources. Reconnaissance inspection and surface sampling of the lease has indicated that hematite enrichment occurs at surface, hosted by interpreted Dales Gorge Member of the Brockman Iron Formation, host to the Mt Tom Price and Mt Whaleback premium iron ore mines. A Works Program for a Heritage Survey has been submitted to the DIA which will be acted on pending this tenement's granting.

The Marillana Bridge and Perishing areas are adjacent to Yarrintree. Previous work by Royal includes surface sampling and drilling. While this work returned no significant results, the tenements will be held in abeyance pending exploration of the Yarrintree tenement.

REVIEW OF OPERATIONS (continued)

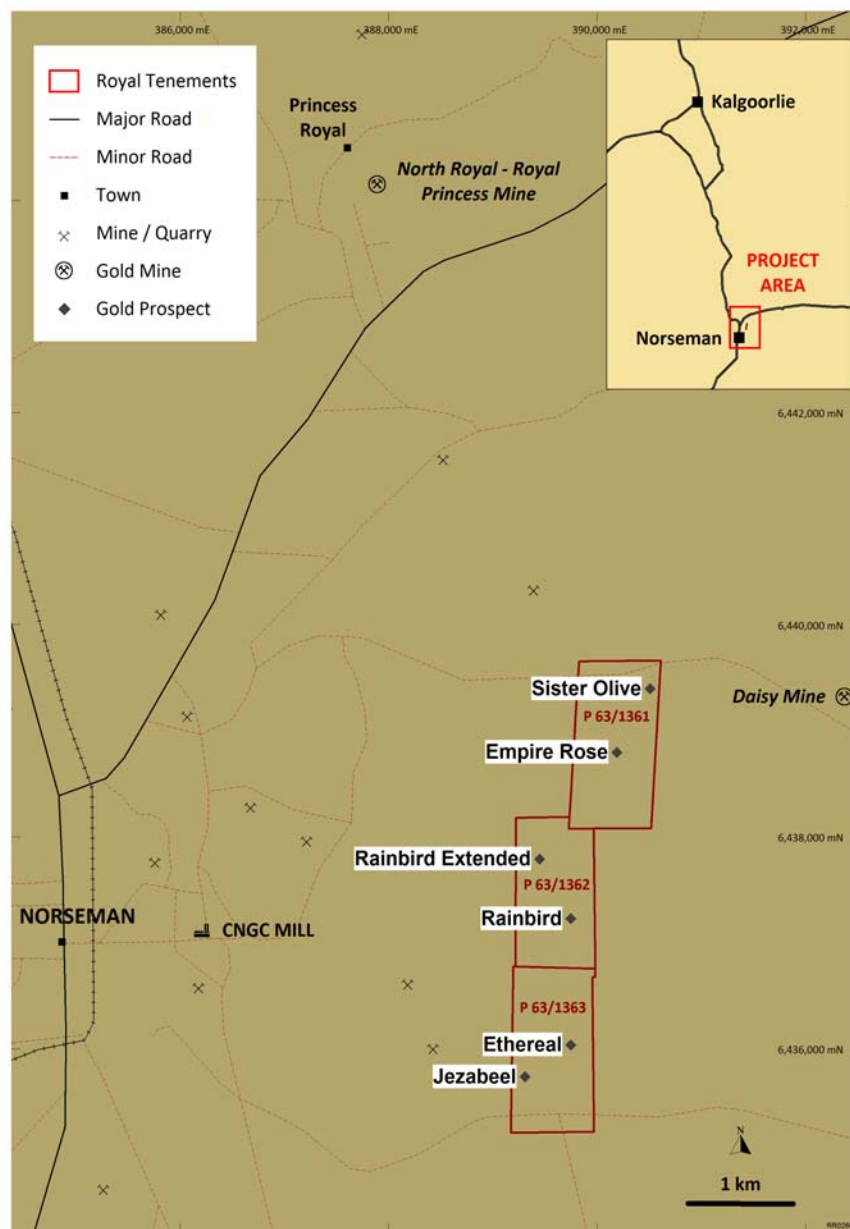
Mindy Project

Mindy is located about 55 kilometres to the north east of Newman and covers an area in excess of 200 square kilometres. Drilling undertaken earlier in the year was not successful in delineating any significant iron mineralisation.

An assessment of this tenement has resulted in the decision to farm out the ground. Negotiations are currently underway with a potential partner and are expected to be finalised during the next quarter.

Norseman, Water Tank Gold Project

Negotiations for the sale of this asset to a third party broke down on key points of value and sales conditions. While Royal continues to seek a partner that will maximise shareholder value, planning is now under way to restart follow-up drilling of highly anomalous gold intercepts from the previous drilling campaign that include **1m @ 12.4 g/t gold** at the Empire Rose Prospect, an extensive zone of 1 to 3 m of **2.05 to 2.46 g/t gold** at the Jezebel Prospect and **1 m @ 5.26 g/t gold** at the Sister Olive Prospect.



Water Tank Gold Project – note proximity of leases to the Norseman gold mill

CORPORATE GOVERNANCE STATEMENT

Royal Resources Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 ³	n/a	n/a
Recommendation 1.3 ³	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2 ³	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 ³	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 ³	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 ³	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3 ³	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 ³	n/a	n/a
Recommendation 4.2		✓			

Note 1 Indicates where the Company has followed the Principles & Recommendations.

Note 2 Indicates where the Company has provided "if not, why not" disclosure.

Note 3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.royalresources.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

CORPORATE GOVERNANCE STATEMENT (continued)

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year ("**Reporting Period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure: The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Disclosure: The Managing Director is responsible for evaluating the senior executives. The Managing Director undertakes an annual informal performance evaluation of senior executives.

Recommendation 1.3: Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure: During the Reporting Period a performance evaluation of the senior executives did not take place. The Board intends to undertake informal performance evaluations in the 2009/2010 financial year.

Principle 2 – Structure the board to add value

Recommendation 2.1: A majority of the Board should be independent directors.

Disclosure: The Board has a majority of directors who are independent.

The independent directors of the Board are Malcolm Randall and Brian Richardson. Former director, Rick Crabb (who retired after the Reporting Period) was also an independent director. The non-independent directors of the Board are Philip Crabb and Frank Demarte. Marcus Flis, who was appointed to the Board after the Reporting Period, is also a non-independent director.

Recommendation 2.2: The Chair should be an independent director.

Disclosure: **Notification of Departure:**

The Chair, Philip Crabb, is not an independent director.

CORPORATE GOVERNANCE STATEMENT (continued)

Explanation for Departure:

The Board believes that Philip Crabb is the most appropriate person for the position of Chair because of his industry experience and knowledge. Philip Crabb and associate's substantial shareholding is the only factor that precludes him from being considered independent. The Board believes that Philip Crabb makes decisions that are in the best interests of the Company.

Recommendation 2.3: The roles of the Chairman and Chief Executive Officer should not be exercised by the same individual.

Disclosure: The Managing Director (formerly the Chief Executive Officer during the Reporting Period) is Marcus Flis who is not the Chairman of the Board.

Recommendation 2.4: The Board should establish a Nomination Committee.

Disclosure: **Notification of Departure:**

The Company has not established a separate Nomination Committee.

Explanation for Departure:

The role of the Nomination Committee is carried out by the full Board. The Board considers that given the current composition of the Board, at this stage no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure: The Chair is responsible for evaluating the Board and, when appropriate, Board committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director. The process for the performance evaluations includes questionnaires and interviews with each director to discuss this assessment.

Recommendation 2.6: Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure: **Skills, Experience, Expertise and Term of Office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company are Malcolm Randall and Brian Richardson. Former director, Rick W Crabb (who retired after the Reporting Period) was also an independent director during the Reporting Period. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Brian Richardson resigned from an executive position in the Company on 31 March 2008. The Board notes that under the criteria for independence set out in Box 2.1 of the Principles & Recommendations, if a Director has been previously employed by the Company in an executive capacity in the last three years, this generally indicates a lack of independence. However, the Board (in the absence of Mr Richardson) considers that Mr Richardson has consistently demonstrated his capability in making decisions and taking actions which are designed to be in the best interests of the Company, and therefore consider him to be independent. Mr Brian Richardson is aware of his statutory responsibilities and obligations in relation to conflicts of interests and acts accordingly.

CORPORATE GOVERNANCE STATEMENT (continued)

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset of the consolidated entity.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more of the consolidated entity.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period. However informal nomination-related discussions occurred from time to time during the Reporting Period, as required. During those discussions the full Board was in attendance. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period a performance evaluation of the Board, Board committees and individual directors did not take place. The Board intends to undertake informal performance evaluations in the 2009/2010 financial year.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

CORPORATE GOVERNANCE STATEMENT (continued)

Selection and (Re)Appointment of Directors (continued)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. At every annual general meeting of the Company one third of the directors (except alternate directors and the Managing Director) must retire from office and may stand for re-election. The directors to retire at an annual general meeting are those who have been in office the longest provided that no director (except alternate directors and the Managing Director) can hold office for more than three years without having to undergo such retirement. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure: The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure: The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3: Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

Disclosure: Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee.

Recommendation 4.2: The Company has established an Audit Committee.

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Disclosure: The Audit Committee comprised two directors, Rick Crabb and Brian Richardson. On 11 August 2009 and after the end of the Reporting Period, Malcolm Randall was appointed to the Audit Committee. Rick Crabb retired from his position after the end of the Reporting Period on 11 August 2009.

Brian Richardson and Malcolm Randall are independent. Rick Crabb was an independent director prior to his departure.

CORPORATE GOVERNANCE STATEMENT (continued)

Recommendation 4.3: The Audit Committee should have a formal charter.

Disclosure: The Company has adopted an Audit Committee Charter.

Recommendation 4.4: Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Disclosure: The Audit Committee held two meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	Number of meetings attended
Rick Crabb ²	2
Brian Richardson	2
Malcolm Randall ¹	0

Note: 1. Malcolm Randall joined after the end of the Reporting Period.

Note: 2. Rick Crabb resigned after the end of the reporting period on 11 August 2009.

Details of each of the director's qualifications are set out in the Director's Report.

All of the Audit Committee members consider themselves to be financially literate and have experience in the industry in which the Company operates. Brian Richardson has extensive industry knowledge with over 25 years experience in the mining industry. Malcolm Randall also has extensive experience in management and marketing in the resource sector. Rick Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Masters of Business Administration and has significant industry knowledge. Rick Crabb's qualifications and experience enabled him to meet the test of financial expertise during the Reporting Period.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances.

The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure: The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure: Please refer to the section above marked Website Disclosures.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure: The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2: Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure: Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure: The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

In June 2009, the Board resolved to review, formalise and document the management of its material business risks and expects to implement this system in the second quarter of the 2009/2010 financial year. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

The categories of risk reported on as part of the Company's systems and processes for managing material business risk include: liquidity risk, foreign currency exchange risks, operational risk, environmental risk, compliance risk, strategic risk, human capital, financial reporting and market-related risks.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure: The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's materials business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT (continued)

Disclosure: The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4: Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure: The Board has received the report from management under Recommendation 7.2. The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

Disclosure: **Notification of Departure:**

The Company has not established a separate Remuneration Committee.

Explanation for Departure:

The role of the Remuneration Committee is carried out by the full Board. The Board considers that given the current composition of the Board, at this stage no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure: Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals.

Recommendation 8.3: Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure: Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. All Board members were in attendance. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in invested entitlements under any equity based remuneration schemes.

DIRECTORS' REPORT

Your Directors submit their report on the Consolidated Entity consisting of Royal Resources Limited and the entity it controlled at the end of, or during, the year ended 30 June 2009.

INFORMATION ON DIRECTORS

The following persons were Directors of the Royal Resources Limited ("Company") during the financial year and until the date of this report. Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

Philip G Crabb

FAusIMM, MAICD

Non-Executive Director Age 69

Experience and Expertise

Mr Crabb is a Fellow of the Australasian Institute of Mining and Metallurgy and a member of the Institute of Company Directors. Mr Crabb has been actively engaged in mineral exploration and mining activities for the past 40 years in both publicly listed and private exploration companies. He has considerable experience in field activities, having been a drilling contractor, quarry manager and mining contractor. Mr Crabb also has extensive knowledge of the Australian Mining Industry and has many years of experience with management of Australian publicly listed companies.

Mr Crabb is presently also the Chairman of Thundelarra Exploration Ltd (since 2003) and a director of Canadian publicly listed Aldershot Resources Ltd (since 2009).

Former Directorships of Listed Companies in last 3 years

United Minerals Corporation (from 2004 to 2009).

Special Responsibilities

Chairman of the Board

Member of the Nomination Committee (from November 2005).

Member of the Remuneration Committee (from November 2005).

Interest in shares and options

11,498,410 ordinary shares.

2,750,000 options over ordinary shares.

MARCUS F FLIS

BSc (Hons), M.Sc, FAusIMM

Managing Director Age 52

(Appointed on 11 August 2009)

Experience and Expertise

Mr Flis holds degrees in both geology and geophysics and is highly qualified in the resources industry, having over 29 years experience covering all aspects of exploration, resource definition and project assessment. He has recently held the position of Project Director with Rio Tinto Iron Ore's business development group. Previously Mr Flis held positions as exploration manager with Hamersley Iron and Iron Ore Company of Canada and Manager-Geophysics at Newcrest Mining Ltd. Mr Flis comes with extensive experience as an explorationist for a wide range of mineral commodities in varied mineral terrains and geographies.

Former Directorships of Listed Companies in last 3 years

None.

Special Responsibilities

Member of the Nomination Committee (from August 2009).

Member of the Remuneration Committee (from August 2009).

Interest in shares and options

114,300 ordinary shares.

5,500,000 options over ordinary shares.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Frank DeMarte

BBus, FCIS, MAICD

Executive Director and Company Secretary Age 47

Experience and Expertise

Mr DeMarte has over 25 years of experience in the mining and exploration industry in Western Australia. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an Executive Director and Chief Financial Officer of the Company.

Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a Bachelor of Business majoring in Accounting and is a Fellow of the Chartered Secretaries of Australia. Mr DeMarte was first appointed to the board on 23 February 2004.

Mr DeMarte is presently also a director of Thundelarra Exploration Ltd (since 2003) and Canadian publicly listed Aldershot Resources Ltd (since 2006).

Former Directorships of Listed Companies in last 3 years

None.

Special Responsibilities

Member of the Nomination Committee (from February 2004).

Member of the Remuneration Committee (from February 2004).

Interest in shares and options

909,201 ordinary shares.

3,500,000 options over ordinary shares.

Brian Richardson

BSc (Hons), MAusIMM

Non-Executive Director Age 56

Experience and Expertise

Mr Richardson is a geologist who has been involved in the Australian exploration and mining industry for over 27 years. He has many years experience in planning, conducting and evaluating gold, base metal, uranium and diamond projects. He has also held senior management positions with a number of listed junior exploration companies. Mr Richardson is presently also a director of Thundelarra Exploration Ltd (since 2003).

Former Directorships of Listed Companies in last 3 years

Aldershot Resources Ltd (from 2004 to 2008).

Special Responsibilities

Member of Audit Committee (from February 2004).

Member of the Nomination Committee (from February 2004).

Member of the Remuneration Committee (from February 2004).

Interest in shares and options

886,094 ordinary shares.

4,000,000 options over ordinary shares.

Rick W Crabb

B.Juris (Hons), LLB, MBA, FAICD

Non Executive Director Age 52

Resigned on 11 August 2009.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Mr Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practiced as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law. Mr Crabb now focuses on his public company directorships and investments. He has been involved as a director and strategic shareholder in a number of successful public companies.

Mr Crabb is presently also a director of Paladin Resources Ltd (since 1994), Ashburton Minerals Limited (since 1999), Golden Rim Resources Ltd (since 2001) and Otto Energy Limited (since 2004).

Special Responsibilities

Chairman of Audit Committee (from February 2004) (Resigned on 11 August 2009).

Chairman of the Nomination Committee (from February 2004) (Resigned on 11 August 2009).

Chairman of the Remuneration Committee (from February 2004) (Resigned on 11 August 2009).

Former Directorships of Listed Companies in last 3 years

Thundelarra Exploration Ltd (from 2003 to 2006).

Port Bouvard Limited (from 1996 to 2009).

Interest in shares and options

2,110,023 ordinary shares

2,250,000 options over ordinary shares

MALCOLM J RANDALL

B.Applied Chem, AICD

Non Executive Director Age 63

Experience and Expertise

Mr Randall is presently also the Chairman of Iron Ore Holdings Ltd (since 2003) and a director of United Minerals Corporation NL (since 2004), Summit Resources Limited (since 2007), Thundelarra Exploration Ltd (since 2003) and Matilda Zircon Limited (since 2009).

Mr Randall was appointed to the Board on 4 October 2006.

Former Directorships in last 3 years

Olympia Resources Ltd (from 2006 to 2008).

Northern Mining Limited (from 2007 to 2008).

Special Responsibilities

Chairman of Audit Committee (from August 2009).

Member of the Nomination Committee (from October 2006).

Member of the Remuneration Committee (from October 2006).

Interest in shares and options

294,593 ordinary shares.

2,050,000 options over ordinary shares.

COMPANY SECRETARY

Frank DeMarte Age 47

BBus, FCIS, MAICD

The Company Secretary is Frank DeMarte. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an Executive Director and Chief Financial Officer of the Company.

Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a Bachelor of Business majoring in Accounting and is a Fellow of the Chartered Secretaries of Australia. Mr DeMarte was appointed the Company Secretary on 23 February 2004 and is also an Executive Director of the Company.

DIRECTORS' REPORT (continued)

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year was mineral exploration in Australia and the USA. There were no significant changes in the nature of those activities during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No other significant change in the state of affairs of the Consolidated Entity during the financial year not otherwise dealt with in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2009 financial statements.

Expiry of Quoted Options

39,730,858 quoted options exercisable at 20 cents each expired on the 11 July 2009.

Appointment of Managing Director

On 11 August 2009 Mr Marcus Flis was appointed to the position of Managing Director.

Resignation of a Director

On 11 August 2009 Mr Rick W Crabb resigned as a non-executive director due to increasing work commitments.

Option to Sell Mineral Tenement

On 21 August 2009 the Company signed an Agreement for Option and sale of mining Property in respect to a East Pilbara tenement E47/1615. The consideration payable by Atlas is an option fee of \$15,000 on signing the agreement and \$100,000 cash or in shares to the same value payable within 12 months of the Agreement date.

Amendments to USA Joint Ventures

On 28 August 2009, in consideration of US\$250,000, payable by Royal USA Inc to Lynx2 LLC, Lynx2 LLC has agreed to the assignment to Royal USA Inc of one-half of their 20% interest in the Lynx-Royal JV and all of Lynx2 LLC's interest in the Arizona Strip JV and the Canon City JV.

Razorback Iron Ore Project

On 11 September 2009, the Company signed:

- (i) a Share Sale Agreement (subject to due diligence and the successful completion of a capital raising) with the shareholders of Mintech Resources Pty Ltd to acquire all the issued shares of Mintech for \$4.95 million. Mintech is the registered holder of the Razorback iron ore tenement EL4267;
- (ii) an Option Deed with Goldus Pty Ltd for the right to conduct iron ore exploration during the 10 year option period and the option to purchase the iron ore tenements EL3927 and EL3997 that surround the main Razorback tenement (EL4267) for \$10 million; and
- (iii) a Consultancy Agreement with Ferus Pty Ltd to provide services to assist Mintech to bring the Razorback iron ore project to pre-feasibility study (PFS) within 3 years, and to a bankable feasibility study with two years of the PFS. The consultancy fees payable to Ferus Pty Ltd on successfully completing a PFS is \$5 million, and upon successfully completing a BFS is \$20 million.

LIKELY DEVELOPMENTS, FUTURE OPERATIONS AND EXPECTED RESULTS

Details of important developments in the operations of the Consolidated Entity are set out in the review of operations section of this report. The Consolidated Entity will continue to explore its Australian and USA tenement areas of interest for minerals, and any significant information or data will be released in the market and to shareholders.

DIRECTORS' REPORT (continued)

PERFORMANCE IN RELATION TO ENVIRONMENTAL OBLIGATIONS

The Consolidated Entity has assessed whether there are any particular or significant environmental regulations which apply. It has been determined that the risk of non-compliance is low, and has not identified any compliance breaches during the financial year. The Directors are not aware of any environmental regulations not being complied with.

REVIEW OF OPERATIONS

The review of operations for the Consolidated Entity has been disclosed separately on pages 4 to 20 of this report.

SHARE OPTIONS

Shares Under Option

As at the date of this report, there were 24,070,000 unissued ordinary shares of the Company under options.

Date options granted	Expiry date	Exercise price of options	Number of options
23 January 2006	31 January 2011	0.20	4,000,000
30 November 2006	31 January 2011	0.20	800,000
24 July 2007	30 June 2012	0.50	6,750,000
9 January 2008	10 January 2011	0.34	250,000
14 January 2008	15 January 2011	0.50	1,350,000
10 March 2008	9 March 2010	0.20	500,000
10 March 2008	9 March 2010	0.40	500,000
7 April 2008	6 April 2011	0.25	1,500,000
7 April 2008	6 April 2012	0.30	1,500,000
17 April 2008	6 April 2013	0.50	1,500,000
16 June 2008	30 June 2011	0.34	420,000
27 November 2008	30 November 2013	0.30	3,000,000
17 December 2008	31 December 2011	0.08	100,000
1 May 2009	30 April 2013	0.08	1,900,000

Optionholders do not have any right, by virtue of the option, to participate in any share issue of the Company or in the interest issue of any other registered scheme.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year:

- (i) no options were exercised to acquire ordinary fully paid shares in the Company; and
- (ii) 295,000 options which had not been exercised expired on 30 April 2009.

Since the end of the financial year and until the date of this report, 39,730,858 quoted options with an exercise price of 20 cents each expired on 11 July 2009.

OPERATING RESULTS

During the year the Consolidated Entity incurred a consolidated loss \$5,832,779 (2008: \$4,799,140).

CORPORATE INFORMATION

Royal Resources Limited Parent Entity
Royal USA Inc 100% owned controlled entity

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Royal Resources Limited (the Company).

(a) Details of Key Management Personnel

Directors

P G Crabb	Chairman	(Non-Executive)
M F Flis	Managing Director	(Executive) (Appointed on 11 August 2009)
F DeMarte	Director	(Executive)
B D Richardson	Director	(Non-Executive)
R W Crabb	Director	(Non-Executive) (Resigned on 11 August 2009)
M J Randall	Director	(Non-Executive)

(b) Compensation of Key Management Personnel

(i) Remuneration Policy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value.

(A) Remuneration Committee

The Remuneration Committee comprises the entire Board of Directors of the Company and is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

(B) Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

(C) Non-Executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 23 January 2006 when shareholders approved an aggregate compensation of \$200,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. An additional fee may also be paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub committees.

Each non executive director receives \$35,000 per annum effective from 10 December 2007, inclusive of any superannuation obligations for being a director of the Company. The exception to this fee structure is the Chairman of the Board who receives \$60,000 per annum plus superannuation.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(b) Compensation of Key Management Personnel (continued)

Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit.

The compensation of non-executive directors for the year ended 30 June 2009 is detailed as per the disclosures on page 36.

(D) Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company, business unit and individual performance against targets set by to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and

ensure total compensation is competitive by market standards

Structure

In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

The Company has entered into a detailed contract of employment with the Chief Executive Officer, details of this contract are provided on page 37.

(E) Fixed Compensation

Objective

Fixed compensation is reviewed annually by the Remuneration Committee. The process consists of a review of companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

(F) Other Compensation

Notwithstanding Guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive Directors should not receive Options, the Directors consider that the grant of the options is designed to encourage the Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the granting of options is an incentive to each of the Directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Directors.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(b) Compensation of Key Management Personnel (continued)

Remuneration of Key Management Personnel and highest paid executives of the Company

Remuneration for the year ended 30 June 2009

Directors		Short-Term		Post Employment	Share Based Payments	Long Term	Total	Remuneration
		Salary and fees \$	Annual leave Accrual \$	Superannuation \$	Options \$	Long Service Leave \$	\$	Consisting of Options for the Year %
Managing Director Marcus Flis (Appointed 11 August 2009)	2009	282,000	1,470	48,000	173,217	-	504,687	34%
	2008	70,500	222	62,000	166,895	-	299,617	56%
Executive Director F DeMarte	2009	107,300	20,083	9,000	23,925	-	160,308	15%
	2008	83,225	5,700	7,875	568,750	-	665,550	86%
Non Executive Directors P G Crabb ¹	2009	60,000	-	5,400	23,925	-	89,325	27%
	2008	53,750	-	4,838	325,000	-	383,588	85%
B D Richardson ²	2009	32,110	-	2,890	15,950	-	50,950	31%
	2008	32,110	-	2,890	812,500	-	847,500	96%
R W Crabb (resigned 11 August 2009)	2009	32,110	-	2,890	15,950	-	50,950	31%
	2008	32,110	-	2,890	243,750	-	278,750	87%
Malcolm J Randall	2009	32,110	-	2,890	15,950	-	50,950	31%
	2008	19,055	-	15,945	243,750	-	278,750	87%
Totals	2009	545,630	21,553	71,070	268,917	-	907,170	30%
	2008	290,750	5,922	96,438	2,360,645	-	2,753,755	86%

(1) No fees paid in the normal course of business during the year for consultancy services (2008: \$6,600) to a company of which P G Crabb is a director and shareholder.

(2) Excludes fees paid in the normal course of business during the year for geological services totalling 8,800 (2008: \$89,192) were paid to a company of which B D Richardson is a director and shareholder.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Employment Agreement

The Company has entered into a employment agreement with Mr Marcus Flis, Chief Executive Officer (appointed Managing Director on 11 August 2009). A summary of the terms of the agreement are as follows:

- Term of Agreement – no fixed term.
- Base Salary, inclusive of superannuation, of \$327,000, to be reviewed annually by the remuneration committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the base salary for 6 months.

Since the end of the financial year and until the date of this report, the Company has not entered into a new employment agreement with Marcus Flis following his appointment as Managing Director on 11 August 2009.

Share-based compensation options

Compensation Options: Granted and vested during the year ended 30 June 2009.

30 June 2009	Vested & Granted		Terms & Conditions for each Grant					% vested and Exercisable at 30 June 2009
	Number of Options	Grant Date	Fair Value per option at grant date (\$)	Exercise price per option (\$)	Expiry Date	First Exercise Date/ Vesting Date	Last Exercise Date	
Directors								
P G Crabb	750,000	27 Nov 08	0.0319	0.30	30 Nov 13	27 Nov 08	30 Nov 13	100%
Marcus Flis ¹	1,000,000	1 May 2009	0.0386	0.08	30 Apr 2013	1 May 2010	30 Apr 2013	17%
F DeMarte	750,000	27 Nov 08	0.0319	0.30	30 Nov 13	27 Nov 08	30 Nov 13	100%
B D Richardson	500,000	27 Nov 08	0.0319	0.30	30 Nov 13	27 Nov 08	30 Nov 13	100%
R W Crabb ²	500,000	27 Nov 08	0.0319	0.30	30 Nov 13	27 Nov 08	30 Nov 13	100%
M J Randall	500,000	27 Nov 08	0.0319	0.30	30 Nov 13	27 Nov 08	30 Nov 13	100%
Total	4,000,000							

Note 1: M Flis was appointed the Managing Director on 11 August 2009.

Note 2: R W Crabb resigned as a director on 11 August 2009.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Share-based compensation options (continued)

Compensation Options: Granted and vested during the year ended 30 June 2008.

30 June 2008	Vested & Granted		Terms & Conditions for each Grant					% vested and Exercisable at 30 June 2009
	Number of Options	Grant Date	Fair Value per option at grant date (\$)	Exercise price per option (\$)	Expiry Date	First Exercise Date/ Vesting Date	Last Exercise Date	
Directors								
P G Crabb	1,000,000	24 Jul 07	0.3250	0.50	30 June 12	24 Jul 07	30 June 12	100%
F DeMarte	1,750,000	24 Jul 07	0.3250	0.50	30 June 12	24 Jul 07	30 June 12	100%
B D Richardson	2,500,000	24 Jul 07	0.3250	0.50	30 June 12	24 Jul 07	30 June 12	100%
R W Crabb	750,000	24 Jul 07	0.3250	0.50	30 June 12	24 Jul 07	30 June 12	100%
M J Randall	750,000	24 Jul 07	0.3250	0.50	30 June 12	24 Jul 07	30 June 12	100%
Executive								
Marcus Flis ¹	1,500,000	7 Apr 2008	0.081	0.25	6 Apr 2011	7 Apr 2008	6 Apr 2011	100%
	1,500,000	7 Apr 2008	0.088	0.30	6 Apr 2012	7 Apr 2009	6 Apr 2012	-
	1,500,000	7 Apr 2008	0.087	0.50	6 Apr 2013	7 Apr 2010	6 Apr 2013	-
Total	11,250,000							

Note 1: M Flis was appointed the Chief Executive Officer on 31 March 2008.

Options granted as part of remuneration

Details of options over ordinary shares in the Company provided as remuneration to each Director of the Company and each of the key management personnel are set out below. Each option when exercised is convertible into one ordinary share in the Company.

30 June 2009		Value of options granted in the year \$	Value of options exercised in the year \$	Value of options lapsed during the year \$
Directors	P G Crabb	23,925	-	-
	Marcus Flis ¹	38,600	-	-
	F DeMarte	23,925	-	-
	B D Richardson	15,950	-	-
	R W Crabb ²	15,950	-	-
	M J Randall	15,950	-	-
Total		134,300	-	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Share-based compensation options (continued)

Note 1: M Flis was appointed the Managing Director on 11 August 2009.

Note 2: R W Crabb resigned as a director on 11 August 2009.

Shares issued on exercise of compensation options

No shares options were issued to directors or key management personnel on exercise of compensation options during the year.

Options granted as part of remuneration

30 June 2008		Value of options granted in the year \$	Value of options exercised in the year \$	Value of options lapsed during the year \$
Directors	P G Crabb	325,000	-	-
	F DeMarte	568,750	-	-
	B D Richardson	812,500	-	-
	R W Crabb	243,750	-	-
	Malcolm J Randall	243,750	-	-
Executive	Marcus Flis	384,000	-	-
Total		2,577,750	-	-

Vesting Conditions

Options issued to directors and employees vest on the basis that continual employment with the Company is achieved. All employees leaving while options are vesting will forfeit their options.

For details on the valuation of the options, including models and assumptions used, please refer to Note 24. These were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Shares issued on exercise of remuneration options

During and since the end of the financial year, there were no ordinary shares issued as a result of the exercise of remuneration options.

Employment Contracts for Directors

The Company has not entered into any service, employment contracts or agreements with the Directors of the Company during the financial year.

DIRECTORS' REPORT (continued)

DIRECTORS MEETINGS

The number of meetings of directors (including meeting of committees of directors) held during the year and the number of meetings attended by each director are:

Name	Board of Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
P G Crabb	3	3	2	2	1	1
M F Flis ¹	1	1	-	-	-	-
B D Richardson	3	3	2	2	1	1
F DeMarte	3	3	2	2	1	1
R W Crabb	3	3	2	2	1	1
M J Randall	3	3	2	2	1	1

Note 1: M Flis was appointed the Managing Director on 11 August 2009. Prior to his appointment Mr Flis attended the Board meetings by invitation and in his capacity as the Chief Executive Officer of the Company.

Committee Memberships

As at the date of this report, the Company had an Audit Committee and Remuneration Committee.

Audit	Remuneration	Nomination
M J Randall ^{(C) 1} R W Crabb ² B Richardson	M J Randall ^(C) R W Crabb F DeMarte B D Richardson P G Crabb M F Flis ³ (Appointed on 11 August 2009)	M J Randall ^(C) R W Crabb F DeMarte B D Richardson P G Crabb M F Flis ³

Note 1: (C) Designates the Chairman of the Committee. Malcolm J Randall was appointed the Chairman of the Audit Committee on 11 August 2009.

Note 2: Rick W Crabb resigned as the Chairman of the Audit Committee on the 11 August 2009. and

Note 3: M Flis was appointed the Managing Director on 11 August 2009.

INSURANCE OF DIRECTORS AND OTHERS

During the financial year no amounts were paid to insure the Directors or other officers of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 87.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

Stantons International or its related parties have not received nor are they due to receive any amounts for the year ended 30 June 2009 for the provision of non-audit services.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'M Flis', with a long horizontal stroke extending to the right.

Marcus Flis
MANAGING DIRECTOR

18 September 2009

Perth, Western Australia

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
REVENUE	4	3,546,928	-	3,560,537	409,034
Expenditure					
Interest expense		(333)	-	(333)	(8,356)
Insurance expense		(10,103)	-	(10,103)	(9,002)
Depreciation and amortisation		(148,404)	-	(108,743)	(88,880)
Employee benefits		(376,315)	-	(376,315)	(378,740)
Exploration expenditure written off		(7,996,527)	-	(895,057)	(1,591,665)
Share-based payments		(432,996)	-	(432,996)	(2,507,429)
Non recovery of subsidiary loan		-	-	(7,022,266)	-
Foreign currency exchange loss		-	-	-	(19,677)
Consultants fees		(108,244)	-	(108,244)	(173,098)
Other expenses		(306,785)	-	(252,436)	(431,327)
LOSS BEFORE INCOME TAX		(5,832,779)	-	(5,645,956)	(4,799,140)
Income tax expense	5	-	-	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF ROYAL RESOURCES LIMITED		(5,832,779)	-	(5,645,956)	(4,799,140)
Basic earnings/(loss) per share (cents per share)	6	(6.31)			(5.85)
Diluted earnings/(loss) per share (cents per share)	6	(6.31)			(5.85)

The above Income Statement is to be read in conjunction with the accompanying notes.

**BALANCE SHEET
AS AT 30 JUNE 2009**

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	7(a)	2,583,802	-	2,529,834	5,607,418
Trade and other receivables	8	16,604	-	16,604	13,673
Total Current Assets		2,600,406	-	2,546,438	5,621,091
Non-current Assets					
Other receivables	8	706,721	-	605,163	602,982
Other financial assets	9	1,731,900	-	1,731,901	263,501
Plant and equipment	11	264,201	-	173,193	421,759
Exploration expenditure	12	2,056,917	-	1,434,288	4,874,625
Intangible assets	13	28,073	-	28,073	-
Total Non-current Assets		4,787,812	-	3,972,618	6,162,867
TOTAL ASSETS		7,388,218	-	6,519,056	11,783,958
LIABILITIES					
Current Liabilities					
Trade and other payables	14	99,271	-	51,585	318,780
Provisions	15	39,662	-	39,662	18,409
Total Current Liabilities		138,933	-	91,247	337,189
TOTAL LIABILITIES		138,933	-	91,247	337,189
NET ASSETS		7,249,285	-	6,427,809	11,446,769
EQUITY					
Contributed equity	16(a)	15,709,716	-	15,709,716	15,709,716
Reserves	16(d)	5,628,520	-	4,620,221	3,993,225
Accumulated losses		(14,088,951)	-	(13,902,128)	(8,256,172)
TOTAL EQUITY		7,249,285	-	6,427,809	11,446,769

The above Balance Sheet is to be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2009**

Consolidated	Notes	Equity \$	Reserves \$	Accumulated Losses \$	Total \$
At 1 July 2007		-	-	-	-
Loss for the year ended		-	-	-	-
Shares issued during the year	16(b)	-	-	-	-
Revaluation of financial asset	16(d)	-	-	-	-
Foreign currency translation	16(d)	-	-	-	-
Recognised value of unlisted options that have vested	16(d)	-	-	-	-
Transaction costs	16(b)	-	-	-	-
At 30 June 2008		-	-	-	-

Consolidated	Notes	Equity \$	Reserves \$	Accumulated Losses \$	Total \$
At 1 July 2008		15,709,716	3,993,225	(8,256,172)	11,446,769
Loss for the year ended		-	-	(5,832,779)	(5,832,779)
		15,709,716	3,993,225	(14,088,951)	5,613,990
Shares issued during the year	16(b)	-	-	-	-
Revaluation of financial asset	16(d)	-	194,000	-	194,000
Foreign currency translation	16(d)	-	1,008,299	-	1,008,299
Recognised value of unlisted options that have vested	16(d)	-	432,996	-	432,996
Transaction costs	16(b)	-	-	-	-
		-	1,635,295	-	1,635,295
At 30 June 2009		15,709,716	5,628,520	(14,088,951)	7,249,285

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2009**

Parent	Notes	Equity \$	Reserves \$	Accumulated Losses \$	Total \$
At 1 July 2007		7,976,623	469,355	(3,457,032)	4,988,946
Loss for the year ended		-	-	(4,799,140)	(4,799,140)
		7,976,623	469,355	(8,256,172)	189,806
Shares issued during the year	16(b)	8,063,519	-	-	8,063,519
Revaluation of financial asset	16(d)	-	8,500	-	8,500
Proceeds from option issue	16(d)	-	1,007,941	-	1,007,941
Recognised value of unlisted options that have vested	16(d)	-	2,507,429	-	2,507,429
Transaction costs	16(b)	(330,426)	-	-	(330,426)
		7,733,093	3,523,870	-	11,256,963
At 30 June 2008		15,709,716	3,993,225	(8,256,172)	11,446,769

Parent	Notes	Equity \$	Reserves \$	Accumulated Losses \$	Total \$
At 1 July 2008		15,709,716	3,993,225	(8,256,172)	11,446,769
Loss for the year ended		-	-	(5,645,956)	(5,645,956)
		15,709,716	3,993,225	(13,902,128)	5,800,813
Shares issued during the year	16(b)	-	-	-	-
Revaluation of financial asset	16(d)	-	194,000	-	194,000
Proceeds from option issue	16(d)	-	-	-	-
Recognised value of unlisted options that have vested	16(d)	-	432,996	-	432,996
Transaction costs	16(b)	-	-	-	-
		-	626,996	-	626,966
At 30 June 2009		15,709,716	4,620,221	(13,902,128)	6,427,809

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash Flows from operating activities					
Payments to suppliers and employees		(999,237)	-	(971,630)	(542,230)
Interest paid		(333)	-	(333)	(8,356)
Interest received		201,233	-	200,226	323,889
Other revenue		252,771	-	252,771	-
Net cash flows used in operating activities	7(b)	(545,566)	-	(518,966)	(226,697)
Cash Flows From Investing Activities					
Payment for plant and equipment	11	(23,741)	-	(18,394)	(581,464)
Payment for investments		(98,576)	-	(98,576)	-
Payment for intangibles	13	(56,146)	-	(56,146)	-
Placement of security deposits		(103,739)	-	(2,181)	(600,133)
Redemption of security deposits		-	-	-	17,151
Proceeds from disposal of plant and equipment		44,226	-	-	131,798
Proceeds from disposal of tenements		2,000,000	-	2,000,000	663,000
Proceeds from disposal of investments		234,404	-	234,404	-
Advance to subsidiary		-	-	(618,207)	-
Payment for exploration and evaluation expenditure	12	(4,518,372)	-	(3,999,518)	(4,246,285)
Net cash flows used in investing activities		(2,521,944)	-	(2,558,618)	(4,615,933)
Cash Flows from Financing Activities					
Proceeds from issue of shares and options		-	-	-	9,044,460
Transaction costs of issue of shares	16(b)	-	-	-	(330,426)
Proceeds from borrowings		-	-	-	1,000,000
Repayment of borrowings		-	-	-	(1,000,000)
Net cash flow from/(used in) financing activities		-	-	-	8,714,034
Net (decrease)/ increase in cash and cash equivalents		(3,067,510)	-	(3,077,584)	3,871,404
Cash and cash equivalents at beginning of the financial year		5,607,418	-	5,607,418	1,736,014
Exchange differences on cash balances held		43,894	-	-	-
Cash and cash equivalents at end of the financial year	7(a)	2,583,802	-	2,529,834	5,607,418

The above Cash Flow Statement is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(1) CORPORATE INFORMATION

This financial report includes the consolidated financial statements and notes of Royal Resources Limited and its controlled entity ("Consolidated Entity or Group") and the separate financial statements and notes of Royal Resources Limited as an individual parent entity.

The financial report of Royal Resources Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 18 September 2009.

Royal Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

The nature of the operations and principal activities of the Group are described on pages 4 to 20.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Standards and Interpretations). The financial report has also been prepared on a historical cost basis and the accruals basis, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The Group recorded a loss of \$5,832,779 for the year ended 30 June 2009. The loss is primarily due to the accounting policy of expensing the exploration expenditure incurred on mineral projects. Total exploration expenditure incurred and recognised in the loss for the year is \$7,966,527.

The group had cash assets of just over \$2.58 million at 30 June 2009 and investments held for trading and available for sale valued at \$1.73 million at the reporting date. The Directors consider these funds to be sufficient for the planned expenditure on the mineral projects for the ensuing 12 months as well as for corporate and administrative overhead costs. The directors also believe that they have the capacity to raise additional capital should that become necessary. For these reasons, the directors believe the going concern basis of preparation is appropriate.

In the event that the consolidated entity is unable to continue as a going concern, it may be required to realise its assets at amount different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2009 are outlined below.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company's assessment of the impact of new standards and interpretations that may affect the Group is set out below.

- (i) AASB 8: *Operating Segments* and AASB 2007:3: *Amendments to Australian Accounting Standards arising from AASB 8* (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making, while the impact of this standard cannot be assessed at this stage, there is the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

- (j) potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- (ii) AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group.
- (iii) AASB 123: *Borrowing Costs* and AASB 2007-6: *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of at borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no effect on the Group as the Group does not have any borrowings.
- (iv) AASB 2008-1: *Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations* [AASB 2] (applicable for annual reporting periods commencing front January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- (v) AASB3: *Business Combinations* The AASB issued revised AASB 3 *Business Combinations* and amended AASB 127 *Consolidated and Separate Financial Statements*, that incorporate IFRS 3 and the amendments made to IAS 27 respectively, in March 2008. The AASB also issued AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*, which makes consequential amendments to other Australian Accounting Standards that have arisen as a result of the IASB's Business Combinations project at the same time. These Standards enable Australian reporting entities, where appropriate, to continue to be compliant with IFRSs in relation to the presentation of financial statements.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, using the assumptions detailed in note 24.

Mineral Exploration and Evaluation

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest.

These costs may be carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area of interest are continuing.

Subsidiary Intercompany Loans

Provisions for write off of intercompany loans is made as there is significant uncertainty as to whether the loans are recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of any outstanding bank overdrafts.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(g) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Tax (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Other Taxes

Revenues, expenses and assets are recognised net of amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(h) Other Taxes (continued)

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Plant and Equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in value.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment – over 4 to 10 years
- Motor vehicles – over 4 years
- Office furniture and equipment – over 3 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision was made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they may not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided by the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(m) Earnings Per Share

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

(n) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (continued)

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(q) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(r) Interests in Joint Ventures

The Company has an interest in a joint venture that is a jointly controlled operation.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(s) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Investments (continued)

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(i) *Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place the Employee Option Share Plan, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, further details of which are given in note 24.

(t) Share-based payment transactions

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Royal Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payment transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

(ii) Cash settled transactions:

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Royal Resources Limited.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see note 24). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(u) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) Foreign Currency Translation

(i) Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of its subsidiary Royal USA Inc is the United States dollar.

(ii) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical costs continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

(iii) Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

Assets and Liabilities are translated at year-end exchange rates prevailing at that reporting date. Income and expenses are translated at average exchange rates for the period. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(x) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Royal Resources Limited and its subsidiary as at 30 June 2009.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

3. SEGMENT INFORMATION

Description of segments

The Group's operations are in the mining industry. Geographically, the Group operates in two predominant segments, being Australia and the United States. The head office and investment activities of the Company take place in Australia.

	Australia		USA		Consolidated	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Segment revenue						
Other revenue	3,560,537	401,554	11,833	7,480	3,572,370	409,034
Total segment revenue	3,560,537	401,554	11,833	7,480		409,034
Intersegment elimination					(25,442)	-
Consolidated revenue					3,546,928	409,034
Segment result						
Segment result	(5,645,956)	(4,799,140)	(7,206,725)	-	(12,852,681)	(4,799,140)
Intersegment elimination					7,019,902	-
Loss before income tax					(5,832,779)	(4,799,140)
Income tax expense					-	-
Loss for the year					(5,832,779)	(4,799,140)
Segment assets and liabilities						
Segment assets	6,519,056	7,122,564	869,163	4,661,393	7,388,219	11,783,957
Intersegment elimination					(1)	-
Total assets					7,388,218	11,783,957
Segment liabilities	91,247	337,188	47,686	-	138,933	337,188
Intersegment elimination					-	-
Total liabilities					138,933	337,188
Other segment information						
Acquisition of property, plant and equipment	18,394	363,501	5,347	217,963	23,741	581,464
Depreciation and amortisation expense	108,743	57,207	39,661	31,673	148,404	88,880
Doubtful debts expense		-		-	-	-
Intersegment elimination					-	-
Total doubtful debts expense	7,022,266	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. REVENUE, INCOME AND EXPENSES

Loss before income tax has been arrived at after including:

REVENUE

Notes	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Proceeds from sale of plant and equipment	44,226	-	-	131,798
Cost of plant and equipment sold	(53,950)	-	-	(118,066)
Net gain/(loss) on disposal of plant and equipment	(9,524)	-	-	13,732
Proceeds from sale of investments	234,404	-	234,404	-
Cost of investments sold	(116,249)	-	(116,249)	-
Net gain on disposal of investments	118,155	-	118,155	-
Proceeds from sale of tenements	3,060,000	-	3,060,000	918,000
Cost of tenements sold	(316,589)	-	(316,589)	(859,580)
Net gain on disposal of tenements	2,743,411	-	2,743,411	58,420
OTHER INCOME				
Sundry income	5,413	-	13,554	-
Bank interest receivable	204,629	-	203,622	336,882
Increase in market value of investments	232,073	-	232,073	-
Foreign currency exchange gain	252,771	-	249,722	-
	694,886	-	698,971	336,882
TOTAL REVENUE	3,546,928	-	3,560,537	409,034

OTHER EXPENSES

Exploration expenditure written off	7,996,527	-	895,057	1,591,665
Share based payments expense	432,996	-	432,996	2,507,429
Employee benefits	376,315	-	376,315	378,740
Depreciation and amortisation	148,404	-	108,743	88,880
Non recovery of subsidiary loan	-	-	7,022,266	-
Foreign currency exchange loss	-	-	-	19,677
Interest expense	333	-	333	8,356
Consultants fee	108,244	-	108,244	173,098
Administration expenses	316,888	-	262,539	440,329
	9,379,707	-	9,206,493	5,208,174

This share based payments expense relates to the requirement to recognise the cost of granting options to Directors, employees and consultants under AIFRS over the option vesting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Notes	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
5. INCOME TAX				
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from ordinary activities before income tax expense	(5,832,779)	-	(5,645,956)	(4,799,140)
Prima facie tax benefit on loss from ordinary activities at 30% (2008: 30%)	(1,749,834)	-	(1,693,787)	(1,439,742)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Unlisted options	128,394	-	128,394	751,216
Fines and penalties	-	-	-	81
Entertainment	1,547	-	1,547	691
	(1,619,893)	-	(1,563,846)	(697,754)
Movements in unrecognised temporary differences	1,436,014	-	3,019,956	(861,640)
Tax effect of current year tax losses/(profits) for which no deferred tax asset has been recognised/offset against brought forward losses	183,879	-	(1,456,110)	1,549,393
Income tax expense	-	-	-	-
(b) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
Prepayments	-	-	-	451
Property, plant and equipment	10,265	-	10,265	-
Loans	-	-	2,106,679	-
Provisions	18,478	-	18,478	11,223
Capital raising costs	112,479	-	112,479	225,537
Carry forward foreign tax losses	2,092,154	-	2,012,508	1,247,418
Carry forward revenue tax losses	1,560,343	-	-	2,221,201
	3,793,719	-	4,260,409	3,705,830
Deferred Tax Liabilities (at 30%)				
Capitalised tenement acquisition costs	447,794	-	430,286	1,462,388
Unearned revenue	1,019	-	1,019	3,898
Fair value increment on investment	134,942	-	134,942	2,550
	583,755	-	566,247	1,468,836

Potential future income tax benefits attributable to tax losses amounting to approximately \$3,652,497 (2008: \$3,468,619) at 2009 corporate tax rate of 30%, have not been brought to account at 30 June 2009 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

6. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share in 2009 and 2008 as the Company is in a loss position.

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Net Loss attributable to ordinary equity of the Company	(5,832,779)	(4,799,140)	(5,645,956)	(4,799,140)
Weighted average number of ordinary shares for basic loss per share	92,460,720	81,976,627	92,460,720	81,976,627

7. CASH AND CASH EQUIVALENTS

(a) Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents comprises:

Cash at bank and in hand	103,669	687,449	72,248	687,449
Short-term deposits	2,480,133	4,919,969	2,457,586	4,919,969
	2,583,802	5,607,418	2,529,834	5,607,418

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
7. CASH AND CASH EQUIVALENTS (continued)				
(b) Reconciliation of net loss after income tax to net cash flows from operating activities				
Net loss	(5,832,779)	-	(5,645,956)	(4,799,140)
<i>Adjustment for :</i>				
Depreciation and amortisation	148,404	-	108,743	88,880
Exploration expenditure written off	7,996,527	-	895,057	1,591,665
Share options expensed	432,996	-	432,996	2,507,429
Non recovery of subsidiary loan	-	-	7,008,712	-
Increase in market value of investments	(232,073)	-	(232,073)	-
Foreign currency exchange gain	-	-	23,993	-
(Profit)/loss on disposal of plant and equipment	9,524	-	-	(13,732)
Profit on disposal of investments	(118,155)	-	(118,155)	-
Profit on disposal of tenements	(2,743,411)	-	(2,743,411)	(58,420)
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in trade and other receivables	(8,344)	-	(2,931)	183,087
(Decrease)/increase in trade, other payables and provisions	(198,255)	-	(245,941)	273,534
Net cash from operating activities	(545,566)	-	(518,966)	(226,697)
8. TRADE AND OTHER RECEIVABLES (CURRENT)				
Other receivables (i)	11,436	-	11,436	12,993
Related party receivables	5,168	-	5,168	680
	16,604	-	16,604	13,673
(i) Other receivables are non-interest bearing and generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.				
(ii) Other classes within trade and other receivables do not contain impaired assets and are not past due.				
TRADE AND OTHER RECEIVABLES (NON CURRENT)				
Term deposit for bonds	706,721	-	605,163	602,982
Loan to subsidiary (i)	7,022,266	-	-	-
Allowance for impairment	(7,022,266)	-	-	-
	706,721	-	605,163	602,982
(i) The loan to subsidiary is non-interest bearing, unsecured and repayable on demand.				
9. OTHER FINANCIAL ASSETS (NON CURRENT)				
<i>Listed shares at fair value</i>				
Giralia Resources Limited	1,270,000	-	1,270,000	-
Silverlake Resources Limited	379,500	-	379,500	263,500
Thundelarra Exploration Ltd	79,200	-	79,200	-
	1,728,700	-	1,728,700	263,500

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
9. OTHER FINANCIAL ASSETS (NON CURRENT) (continued)				
Listed options at fair value				
Thundelarra Exploration Ltd	3,200	-	3,200	-
<i>Investment in subsidiary</i>				
Shares in controlled entity, at cost	-	-	1	1
	1,731,900	-	1,731,901	263,501

10. CONTROLLED ENTITY

Name	Country of Incorporation	Percentage Interest Held		Carrying amount of Parent Entity's Investment	
		2009 %	2008 %	2009 \$	2008 \$
Royal USA Inc	USA	100	100	1	1

During 2008 financial year, Royal Resources Limited formed a wholly owned subsidiary namely Royal USA Inc in the United States under the law of Colorado. The subsidiary company was registered on 24 October 2007 and the cost of investment in relation to this subsidiary was \$1,000 and issued share capital was \$1.

In 2008 the subsidiary company had no assets or liabilities at the reporting date, and in addition had no revenue or expenses from the date of its formation. Consolidated financial statements were not prepared in 2008 as the Directors considered to do so would be immaterial to the reporting entity's net assets at the reporting date and its operating result and cash flow for the year.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

11. PROPERTY, PLANT AND EQUIPMENT

Leasehold Improvements, at cost	90,144	-	90,144	90,144
Less: accumulated depreciation	(40,057)	-	(40,057)	(9,810)
	50,087	-	50,087	80,334
Plant and equipment, at cost	57,740	-	57,740	53,791
Less: accumulated depreciation	(30,909)	-	(30,909)	(29,541)
	26,831	-	26,831	24,250
Office equipment, at cost	157,790	-	157,790	143,345
Less: accumulated depreciation	(71,123)	-	(71,123)	(23,768)
	86,667	-	86,667	119,577
Motor vehicles, at cost	21,682	-	21,682	21,682
Less: accumulated depreciation	(12,074)	-	(12,074)	(10,374)
	9,608	-	9,608	11,308

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT (continued)				
Furniture and fittings, at cost (USA)	65,386	-	60,359	69,434
Less: accumulated depreciation	(24,089)	-	-	(9,075)
Transferred to jointly controlled entity	-	-	(60,359)	-
	41,297	-	-	60,359
Motor vehicles, at cost (USA)	71,547	-	125,931	148,529
Less: accumulated depreciation	(21,836)	-	-	(22,598)
Transferred to jointly controlled entity	-	-	(125,931)	-
	49,711	-	-	125,931
Total property, plant and equipment	264,201	-	173,193	421,759
The USA assets were transferred to the jointly controlled entity at net book value from the Parent entity on 31 December 2008.				
Reconciliations				
Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:				
Leasehold Improvements				
Carrying amount at 1 July 2008	80,334	-	80,334	-
Additions	-	-	-	211,810
Disposals	-	-	-	(107,176)
Depreciation	(30,247)	-	(30,247)	(24,300)
Carrying amount at 30 June 2009	50,087	-	50,087	80,334
Plant and equipment				
Carrying amount at 1 July 2008	24,250	-	24,250	31,099
Additions	3,949	-	3,949	-
Disposals	-	-	-	-
Depreciation	(1,368)	-	(1,368)	(6,849)
Carrying amount at 30 June 2009	26,831	-	26,831	24,250
Office furniture and equipment				
Carrying amount at 1 July 2008	119,577	-	119,577	2,839
Additions	14,445	-	14,445	151,691
Disposals	-	-	-	(10,891)
Depreciation	(47,355)	-	(47,355)	(24,062)
Carrying amount at 30 June 2009	86,667	-	86,667	119,577

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT (continued)				
Reconciliations (continued)				
Motor vehicles				
Carrying amount at 1 July 2008	11,308	-	11,308	13,304
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(1,700)	-	(1,700)	(1,996)
Carrying amount at 30 June 2009	9,608	-	9,608	11,308
Furniture and fittings (USA)				
Carrying amount at 1 July 2008	-	-	60,359	-
Transferred from Parent entity	60,359	-	-	-
Write off 20% of jointly controlled assets	(12,072)	-	-	-
Additions	2,837	-	-	69,434
Disposals	(1,454)	-	(60,359)	-
Depreciation	(19,373)	-	-	(9,075)
Foreign currency exchange movement	11,000	-	-	-
Carrying amount at 30 June 2009	41,297	-	-	60,359
Motor vehicles (USA)				
Carrying amount at 1 July 2008	-	-	125,931	-
Transferred from Parent entity	125,931	-	-	-
Write off 20% of jointly controlled assets	(25,186)	-	-	-
Additions	2,510	-	-	148,529
Disposals	(52,296)	-	(125,931)	-
Depreciation	(20,288)	-	-	(22,598)
Foreign currency exchange movement	19,040	-	-	-
Carrying amount at 30 June 2009	49,711	-	-	125,931
Total carrying amount	264,201	-	173,193	421,759

12. EXPLORATION EXPENDITURE

At 1 July 2008	4,874,625	-	4,874,625	3,052,585
Exploration expenditure	4,518,372	-	3,999,518	4,273,285
Sale of Prairie Downs project (2008: Sale of Rothsay project)	(316,589)	-	(316,589)	(859,580)
Transfer of expenditure to subsidiary	-	-	(6,228,209)	-
Expenditure written off	(7,996,527)	-	(895,057)	(1,591,665)
Foreign currency exchange movement	977,036	-	-	-
At 30 June 2009	2,056,917	-	1,434,288	4,874,625

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

12. EXPLORATION EXPENDITURE (continued)

The Group's exploration properties may be subject to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

In respect to the sale of the Prairie Downs project, the Group made a profit of \$2,743,411(2008 In respect to the sale of the Rothsay project, the Company made a profit of \$58,420).

Consolidated		Parent Entity	
2009	2008	2009	2008
\$	\$	\$	\$

13. INTANGIBLES

Software and licences, at cost	56,146	-	56,146	-
Less: accumulated amortisation	(28,073)	-	(28,073)	-
	28,073	-	28,073	-

14. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables (i)	99,271	-	51,585	271,618
Other payables and accruals	-	-	-	38,362
	99,271	-	51,585	309,980
Related party payables	-	-	-	8,800
	99,271	-	51,585	318,780

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

15. PROVISIONS (NON-CURRENT)

Employee benefits	39,662	-	39,662	18,409
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Number of Shares 2009	Number of Shares 2008	2009 \$	2008 \$
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16. CONTRIBUTED EQUITY AND RESERVES

(a) Issued and paid up capital

Ordinary shares	92,460,720	92,460,720	15,709,716	15,709,716
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

16. CONTRIBUTED EQUITY AND RESERVES

(b) Movement in ordinary shares on issue

Date		Number of Shares	Issue Price \$	Total \$
	Balance at 30 June 2007	56,345,878		7,976,623
9 July 2007	Option conversion	731,578	0.20	146,316
11 July 2007	Option conversion	30,000	0.32	9,600
24 July 2007	Option conversion	250,000	0.20	50,000
3 August 2007	Option conversion	260,000	0.20	52,000
10 August 2007	Option conversion	8,250	0.20	1,650
14 August 2007	Option conversion	335,807	0.20	67,161
31 August 2007	Option conversion	41,502	0.20	8,300
17 September 2007	Option conversion	2,094,047	0.20	418,809
18 September 2007	Option conversion	1,241,123	0.20	248,225
19 September 2007	Option conversion	631,792	0.20	126,358
21 September 2007	Option conversion	3,336,773	0.20	667,355
24 September 2007	Option conversion	1,889,301	0.20	377,860
12 October 2007	Option conversion	197,762	0.20	39,552
15 October 2007	Acquisition of tenement	150,000	0.18	27,000
16 October 2007	Option conversion	167,638	0.20	33,528
22 October 2007	Rights issue	16,799,012	0.25	4,199,753
23 October 2007	Option conversion	117,253	0.20	23,451
30 October 2007	Option conversion	446,918	0.20	89,384
5 November 2007	Option conversion	170,621	0.20	34,124
7 November 2007	Option conversion	1,218,676	0.20	243,735
13 November 2007	Option conversion	1,789,447	0.20	357,889
19 November 2007	Option conversion	2,742,160	0.20	548,432
20 November 2007	Option conversion	1,450,639	0.20	290,128
10 December 2007	Option conversion	8,126	0.20	1,625
17 December 2007	Option conversion	2788	0.20	558
11 January 2008	Option conversion	65	0.20	13
23 January 2008	Option conversion	3,564	0.20	713
	Less transaction costs			(330,426)
	Balance at 30 June 2008	92,460,720		15,709,716
	Balance at 30 June 2009	92,460,720		15,709,716

Number of Options	
2009	2008

(c) Movement in options on issue

(i) Quoted options exercisable at 20 cents, on or before 11 November 2007

Balance at the beginning of the year	-	18,339,726
Issued during the year	-	-
Exercised during the year	-	(18,158,270)
Options lapsed during the year	-	(181,456)
Balance at the end of the year	-	-

(ii) Quoted options exercisable at 20 cents, on or before 11 July 2009

Balance at the beginning of the year	39,730,858	23,909,406
Issued during the year	-	16,799,012
Exercised during the year	-	(977,560)
Balance at the end of the year	39,730,858	39,730,858

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

16. CONTRIBUTED EQUITY AND RESERVES (continued)

	Number of Options	
	2009	2008
(c) Movement in options on issue (continued)		
(iii) Unquoted options exercisable at 20 cents, on or before 31 January 2011		
Balance at the beginning of the year	4,800,000	4,800,000
Issued during the year	-	-
Exercised during the year	-	-
Balance at the end of the year	4,800,000	4,800,000
(iv) Unquoted options exercisable at 32 cents, on or before 30 April 2009		
Balance at the beginning of the year	295,000	325,000
Issued during the year	-	-
Exercised during the year	-	(30,000)
Options lapsed during the year	(295,000)	-
Balance at the end of the year	-	295,000
(v) Unquoted options exercisable at 50 cents, on or before 30 June 2012		
Balance at the beginning of the year	6,750,000	-
Issued during the year	-	6,750,000
Exercised during the year	-	-
Balance at the end of the year	6,750,000	6,750,000
(vi) Unquoted options exercisable at 34 cents, on or before 10 January 2011		
Balance at the beginning of the year	250,000	-
Issued during the year	-	250,000
Exercised during the year	-	-
Balance at the end of the year	250,000	250,000
(vii) Unquoted options exercisable at 50 cents, on or before 15 January 2011		
Balance at the beginning of the year	1,350,000	-
Issued during the year	-	1,350,000
Exercised during the year	-	-
Balance at the end of the year	1,350,000	1,350,000
(viii) Unquoted options exercisable at 20 cents, on or before 9 March 2010		
Balance at the beginning of the year	500,000	-
Issued during the year	-	500,000
Exercised during the year	-	-
Balance at the end of the year	500,000	500,000
(ix) Unquoted options exercisable at 40 cents, on or before 9 March 2010		
Balance at the beginning of the year	500,000	-
Issued during the year	-	500,000
Exercised during the year	-	-
Balance at the end of the year	500,000	500,000
(x) Unquoted options exercisable at 25 cents, on or before 6 April 2011		
Balance at the beginning of the year	1,500,000	-
Issued during the year	-	1,500,000
Exercised during the year	-	-
Balance at the end of the year	1,500,000	1,500,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

16. CONTRIBUTED EQUITY AND RESERVES (continued)

	Number of Options	
	2009	2008
(c) Movement in options on issue (continued)		
(xi) Unquoted options exercisable at 30 cents, on or before 6 April 2012		
Balance at the beginning of the year	1,500,000	-
Issued during the year	-	1,500,000
Exercised during the year	-	-
Balance at the end of the year	1,500,000	1,500,000
(xii) Unquoted options exercisable at 50 cents, on or before 6 April 2013		
Balance at the beginning of the year	1,500,000	-
Issued during the year	-	1,500,000
Exercised during the year	-	-
Balance at the end of the year	1,500,000	1,500,000
(xiii) Unquoted options exercisable at 34 cents, on or before 30 June 2011		
Balance at the beginning of the year	420,000	-
Issued during the year	-	420,000
Exercised during the year	-	-
Balance at the end of the year	420,000	420,000
(xiv) Unquoted options exercisable at 30cents, on or before 30 November 2013		
Balance at the beginning of the year	-	-
Issued during the year	3,000,000	-
Exercised during the year	-	-
Balance at the end of the year	3,000,000	-
(xv) Unquoted options exercisable at 8 cents, on or before 31 December 2011		
Balance at the beginning of the year	-	-
Issued during the year	100,000	-
Exercised during the year	-	-
Balance at the end of the year	100,000	-
(xvi) Unquoted options exercisable at 8 cents, on or before 30 April 2013		
Balance at the beginning of the year	-	-
Issued during the year	1,900,000	-
Exercised during the year	-	-
Balance at the end of the year	1,900,000	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

16. CONTRIBUTED EQUITY AND RESERVES (continued)

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
(d) Reserves				
<i>Asset Revaluation Reserve</i>				
Balance at the beginning of the year	8,500	-	8,500	-
Revaluation of financial asset	194,000	-	194,000	8,500
Balance at the end of the year	202,500	-	202,500	8,500
<i>Listed Option Reserve</i>				
Balance at the beginning of the year	1,007,941	-	1,007,941	-
Proceeds from option issue	-	-	-	1,007,941
Balance at the end of the year	1,007,941	-	1,007,941	1,007,941
<i>Foreign Currency</i>				
Balance at the beginning of the year	-	-	-	-
Foreign currency translation	1,008,299	-	-	-
Balance at the end of the year	1,008,299	-	-	-
<i>Share Based Payments Reserve</i>				
Balance at the beginning of the year	2,976,784	-	2,976,784	469,355
Options expense	432,996	-	432,996	2,507,429
Balance at the end of the year	3,409,780	-	3,409,780	2,976,784
Total reserves at year end	5,628,520	-	4,620,221	3,993,225

Asset Revaluation Reserve

This reserve is used to record the fair value changes on available for sale financial assets as set out in note 9.

Listed Option Reserve

This reserve is used to record the proceeds from the issue of listed options, net of expenses of the issue.

Foreign Currency Translation Reserve

This reserve is used to record exchange differences arising on transactions of the group entities that do not have a functional currency of Australian dollars and have been translated into Australian dollars for presentation purposes as described in note 2(v).

Share Based Payments Reserve

This reserve is used to record the value of equity benefits provided to directors, employees and consultants as part of their remuneration. Refer note 24 for further details.

17. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash and short term deposits.

The main purpose of these financial instruments is to maintain the company's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk.

(a) Interest Rate Risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

17. FINANCIAL INSTRUMENTS (continued)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the Financial Statements.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated	Floating Interest Rate		Fixed Interest Rate – 1 year or less		Non-interest bearing		Total	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets								
Cash and cash equivalents	103,669	-	2,480,133	-	-	-	2,583,802	-
Trade and other receivables	-	-	706,721	-	16,604	-	723,325	-
Other financial assets	-	-	-	-	1,731,900	-	1,731,900	-
Total Financial Assets	103,669	-	3,186,854	-	1,748,504	-	5,039,027	-
Financial Liabilities								
Trade and other payables	-	-	-	-	(99,271)	-	(99,271)	-
Total Financial Liabilities	-	-	-	-	(99,271)	-	(99,271)	-
Net Financial Assets/(Liabilities)	103,669	-	3,186,854	-	1,649,233	-	4,939,756	-
Weighted Average Interest Rate	5.51%	-	5.51%	-				

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

17. FINANCIAL INSTRUMENTS (continued)

	Consolidated	
	2009 \$	2008 \$
Reconciliation of net financial assets/ (liabilities) to net assets		
Net Financial Assets/(Liabilities) as above	4,939,756	-
Plant, Equipment and Vehicles	264,201	-
Exploration & Evaluation Expenditure	2,056,917	-
Intangibles	28,073	-
Provisions	(39,662)	-
Net Assets per Balance Sheet	7,249,285	-

	Floating Interest Rate		Fixed Interest Rate – 1 year or less		Non-interest bearing		Total	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Parent								
Financial Assets								
Cash and cash equivalents	72,248	687,449	2,457,586	4,919,969	-	-	2,529,834	5,607,418
Trade and other receivables	-	-	605,163	602,982	16,604	13,673	621,767	616,655
Other financial assets	-	-	-	-	1,731,900	263,501	1,731,900	263,501
Total Financial Assets	72,248	687,449	3,062,749	5,522,951	1,748,504	277,174	4,883,501	6,487,524
Financial Liabilities								
Trade and other payables	-	-	-	-	(51,585)	(318,780)	(51,585)	(318,780)
Total Financial Liabilities	-	-	-	-	(51,585)	(318,780)	(51,585)	(318,780)
Net Financial Assets/(Liabilities)	72,248	687,449	-	5,522,951	1,696,919	(41,606)	4,831,916	6,168,794

Weighted Average Interest Rate **5.41%** 7.31% **5.41%** 7.31%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17. FINANCIAL INSTRUMENTS (continued)

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value:

(b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's primary banker is National Australia Bank, at balance date a majority of all operating accounts and funds held on deposit are with this bank. The Directors believe any risk associated with the use of this bank is mitigated by their size and reputation.

Except for this matter, the Group does not have any other significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value, except for the fair value of equity investments traded on organised markets which have been valued by reference to the market prices prevailing at balance date for those equity investments

(d) Foreign Currency Risk

The Group is exposed to fluctuations in foreign currency arising from costs incurred for mineral exploration expenditure in relation to the Company's joint ventures in the USA. Overseas expenses are paid at the spot rate on the date that the invoice is paid. The Group does not engage in any hedging or derivative transactions to manage foreign currency risk.

(e) Liquidity Risk

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

18. SENSITIVITY ANALYSIS

(a) Interest Rate Risk

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

Consolidated 30 June 2009	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk + 1%	
		Net loss \$	Equity \$	Net loss \$	Equity \$
Financial Assets					
Cash and cash equivalents	2,583,802	(25,838)	(25,838)	25,838	25,838
Other receivables	706,721	(7,067)	(7,067)	7,067	7,067
	3,290,523	(32,905)	(32,905)	32,905	32,905

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

18. SENSITIVITY ANALYSIS (continued)

(a) Interest Rate Risk (continued)

Consolidated 30 June 2008	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk + 1%	
		Net loss \$	Equity \$	Net loss \$	Equity \$
Financial Assets					
Cash and cash equivalents	-	-	-	-	-
Other receivables	-	-	-	-	-
	-	-	-	-	-

None of the Group's financial liabilities are interest bearing.

Parent 30 June 2009	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk + 1%	
		Net loss \$	Equity \$	Net loss \$	Equity \$
Financial Assets					
Cash and cash equivalents	2,529,834	(25,298)	(25,298)	25,298	25,298
Other receivables	605,163	(6,052)	(6,052)	6,052	6,052
	3,134,997	(31,350)	(31,350)	31,350	31,350

Parent 30 June 2008	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk + 1%	
		Net loss \$	Equity \$	Net loss \$	Equity \$
Financial Assets					
Cash and cash equivalents	5,607,418	(56,074)	(56,074)	56,074	56,074
Other receivables	602,982	(6,030)	(6,030)	6,030	6,030
	6,473,900	(64,739)	(64,739)	64,739	64,739

None of the Group's financial liabilities are interest bearing.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

18. SENSITIVITY ANALYSIS (continued)

(b) Foreign Currency Risk

The Group is exposed to foreign exchange currency risk at balance date primarily through undertaking certain transactions denominated in foreign currency as shown below based on notional amounts:

30 June 2009	Consolidated		Parent	
	USD\$	A\$	USD\$	A\$
Financial Assets				
Cash and cash equivalents	43,417	53,968	-	-
Other receivables	81,704	101,558	-	-
Trade and other payables	(38,364)	(47,686)	-	-
Loan to subsidiary	-	-	5,649,448	7,022,266
Balance sheet exposure	86,757	107,838	5,649,448	7,022,266

The following foreign exchange rates applied during the financial year:

	Average rate		Spot rate at Reporting date	
	2009	2008	2009	2008
USD	0.74803	0.89646	0.80450	0.96050

The following table details the effect on the net loss and equity from a 10% favourable change in the Australian dollar against the United States dollar with all other variables held constant.

30 June 2009	Consolidated		Parent	
	Net loss A\$	Equity A\$	Net loss A\$	Equity A\$
Net increase/(decrease)	9,802	(9,802)	638,348	(638,348)

The following table details the effect on the net loss and equity from a 10% unfavourable change in the Australian dollar against the United States dollar with all other variables held constant.

30 June 2009	Consolidated		Parent	
	Net Gain A\$	Equity A\$	Net Gain A\$	Equity A\$
Net increase/(decrease)	11,984	11,984	780,300	780,300

30 June 2008	Consolidated		Parent	
	USD\$	A\$	USD\$	A\$
Financial Assets				
Cash and cash equivalents	-	-	324,751	338,106
Other receivables	-	-	67,600	70,380
Balance sheet exposure	-	-	392,351	408,486

The following table details the effect on the net loss and equity from a 10% favourable change in the Australian dollar against the United States dollar with all other variables held constant.

30 June 2008	Consolidated		Parent	
	Net loss A\$	Equity A\$	Net loss A\$	Equity A\$
Net increase/(decrease)	-	-	37,135	(37,135)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

18. SENSITIVITY ANALYSIS (continued)

(b) Foreign Currency Risk (continued)

The following table details the effect on the net loss and equity from a 10% unfavourable change in the Australian dollar against the United States dollar with all other variables held constant.

30 June 2008	Consolidated		Parent	
	Net Gain A\$	Equity A\$	Net Gain A\$	Equity A\$
Net increase/(decrease)	-	-	45,387	(45,387)

19. COMMITMENTS

There are no outstanding commitments or contingencies which are not disclosed in the financial report of the Company as at 30 June 2009 other than:

(i) Mineral Tenement Expenditure Commitments – Australia and USA

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Within one year	3,002,304	-	1,262,417	635,854
After one year but not more than five years	5,186,918	-	2,145,651	2,543,416
More than five years	1,107,621	-	1,107,621	635,854
	9,296,843	-	4,515,689	3,815,124

The Group has expenditure obligations with respect to mineral tenements and minimum expenditure requirements on mineral tenements that have not been recognised as a liability or payable in the financial statements.

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Western Australian Mines Department attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

These are necessary in order to maintain the tenements in which the Company and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Western Australia and the Northern Territory.

(ii) Mineral Tenement Expenditure Commitments – USA

	Consolidated		Parent Entity	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
Within one year	1,399,748	-	-	1,646,500
After one year but not more than five years	2,446,715	-	-	1,530,000
More than five years	-	-	-	-
	3,846,463	-	-	3,176,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19. COMMITMENTS (continued)

The Group has expenditure obligations in United States dollars with respect to mineral tenements and joint venture expenditure requirements with third parties in the USA on mineral tenements that have not been recognised as a liability or payable in the financial statements.

The above expenditure obligations with respect to mineral tenements and joint venture expenditure requirements with third parties in the USA on mineral tenements expressed in Australian dollars as at the 30 June 2009 are as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Within one year	1,739,887	-	-	1,730,126
After one year but not more than five years	3,041,267	-	-	1,607,709
More than five years	-	-	-	-
	4,781,154	-	-	3,337,835

Based on foreign currency exchange rate of 1 AUD = 0.80450 USD (2008: 1 AUD = 0.96050 USD)

(iii) Operating Lease Commitments

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Within one year	104,718	-	104,718	83,486
After one year but not more than five years	355,277	-	355,277	484,381
More than five years	-	-	-	-
	459,995	-	459,995	567,867

The Company has a commercial sub-lease on its corporate office premises. This is a non-cancellable lease expiring 30 June 2013 that has not been recognised as liability or payable in the financial statements.

(iv) Bonds

At 30 June 2009 the Group has outstanding \$22,182 (2008: \$20,000) as a current bond provided by the Company's bank for mineral tenements.

(v) Bank Guarantee

At 30 June 2009 the Group has outstanding \$36,470 (2008: \$36,470) as a current guarantee provided by the Company's bank for corporate office lease.

(vi) Letter of Credit

At 30 June 2009 the Group has outstanding \$546,512 (2008: \$546,512) as a current letter of credit provided by the Company's bank for exploration commitments in relation to the Arizona Strip Joint Venture in the USA. On 1 July 2009 the letter of credit expired and was not renewed by the Company.

20. INTEREST IN JOINT VENTURES

The Group has entered into joint venture agreements with third parties in Australia and USA, whereby the Group can earn an interest in exploration areas by expending specified amounts in the exploration areas.

The Group has an interest in the following joint ventures:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

20. INTEREST IN JOINT VENTURES (continued)

(a) Warriedar Joint Venture

The Warriedar Joint Venture is between the Company and Gindalbie Metals Ltd. The purpose of the joint venture is to explore 150 square kilometres covering the central area of the Midwest iron ore province. The Company holds a 40% interest and Gindalbie 60% interest.

(b) Lynx2 Joint Venture

The Lynx2 Option and Joint Venture Agreement is between Lynx2 of Salt Lake City, Utah, USA and Royal USA Inc. The purpose of the joint venture is to identify and acquire uranium projects for exploration and development in the USA.

Under the terms and conditions of the joint venture agreement, the Group has earned an 80% interest in all claims, properties and resources acquired by the joint venture by the expenditure of US\$4.5 million over 5 years. Lynx2's 20% interest is free carried by the Group until the completion of the first bankable feasibility study on any of the claims, properties and resources acquired.

(c) Canon City Joint Venture

The Canon City Joint Venture is between the Royal USA Inc, Lynx3 and Geomininc, a Colorado registered company. The purpose of the joint venture is to explore the uranium claims within 2,000 square kilometres of the Thirty-nine Mile Volcanic Field, one of the most significant uranium provinces in the State of Colorado in the USA.

Under the terms of the joint venture agreement, the Group and Lynx3 can acquire an 80% interest in 106 claims by the staged payment of US\$210,000 and can earn an 80% interest in all new claims, properties and resources acquired by the joint venture by the expenditure of US\$800,000 over 18 months. Geomininc's 20% interest is free carried by the Group and Lynx3 until the completion of a bankable feasibility study on a uranium deposit within the joint venture area.

After satisfying all the joint venture terms and conditions of the Canon City Joint Venture Agreement, the Group's interest in all acquired projects will be 64%, with Geomininc holding 20% and Lynx3 16%.

(d) Colorado Plateau Partners Joint Venture

The Colorado Plateau Partners Joint Venture is between the Group, Lynx2 and Energy Fuels Inc., a TSX Venture Exchange listed company. The purpose of the joint venture is to explore, evaluate and mine uranium in the Colorado Plateau prospective properties.

Under the terms and conditions of the joint venture Energy Fuels Inc and Lynx-Royal will each contribute the 50% of the Colorado plateau properties with each participant contributing 50% each.

(e) Arizona Strip Joint Venture

The Arizona Strip Joint Venture is between the Group, Lynx2 and Energy Fuels Inc., a TSX Venture Exchange listed company. The purpose of the joint venture is to explore, evaluate and mine uranium in the 18 square kilometres of highly prospective properties controlled by Energy Fuels Inc located in 26 separate areas in the Coconino and Mohave Counties, in the State of Arizona.

Under the terms and conditions of the joint venture Energy Fuels Inc will contribute the Arizona properties controlled by Energy Fuels Inc and the Group can earn 50% of the joint venture properties by expenditure of US\$2 million over 3 years.

After satisfying all the joint venture terms and conditions of the Arizona Strip Joint Venture Agreement, the Company interest in the joint venture properties will be 40%, with Energy Fuels Inc holding 50% and Lynx 10%.

(f) Aldershot Joint Venture

The Aldershot Joint Venture is between the Company and Aldershot Resources Ltd, a TSX Venture Exchange listed company. The purpose of the joint venture is to explore, evaluate and mine uranium on 4 tenements located in the Northern Territory controlled by Aldershot Resources Ltd.

Under the terms and conditions of the joint venture agreement, the Company can earn an 70% interest in the tenements by the expenditure of \$900,000 over 3 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

20. INTEREST IN JOINT VENTURES (continued)

(g) Assets Utilised in the USA Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of the jointly controlled operation's before the provision for impairment, which is included in the consolidated financial statements, are as follows:

	Consolidated	
	2009	2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	53,968	-
Trade and other receivables	-	-
TOTAL CURRENT ASSETS	53,968	-
NON-CURRENT ASSETS		
Trade and other receivables	101,558	-
Property, plant and equipment	91,008	-
Exploration expenditure	622,629	-
TOTAL NON-CURRENT ASSETS	815,195	-
TOTAL ASSETS	869,163	-
CURRENT LIABILITIES		
Trade and other payables	47,686	-
TOTAL CURRENT LIABILITIES	47,686	-
NON-CURRENT LIABILITIES		
Provisions	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	47,686	-
NET ASSETS	821,477	-

21. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2009 financial statements.

(a) Expiry of Quoted Options

39,730,858 quoted options exercisable at 20 cents each expired on the 11 July 2009.

(b) Appointment of Managing Director

On 11 August 2009 Mr Marcus Flis was appointed to the position of Managing Director.

(c) Resignation of a Director

On 11 August 2009 Mr Rick W Crabb resigned as a non-executive director due to increasing work commitments.

(d) Option to Sell Mineral Tenement

On 21 August 2009 the Company signed an Agreement for Option and sale of mining Property in respect to a East Pilbara tenement E47/1615. The consideration payable by Atlas is an option fee of \$15,000 on signing the agreement and \$100,000 cash or in shares to the same value payable within 12 months of the Agreement date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

21. EVENTS AFTER THE BALANCE SHEET DATE (continued)

(e) Amendments to USA Joint Ventures

On 28 August 2009, in consideration of US\$250,000, payable by Royal USA Inc to Lynx2 LLC, Lynx2 LLC agreed to the assignment to Royal USA Inc of one-half of their 20% interest in the Lynx-Royal JV and all of Lynx2 LLC's interest in the Arizona Strip JV and the Canon City JV.

(f) Razorback Iron Ore Project

On 11 September 2009, the Company signed:

- (i) an Share Sale Agreement (subject to due diligence and the successful completion of a capital raising) with the shareholders of Mintech Resources Pty Ltd to acquire all the issued shares of Mintech for \$4.95 million. Mintech is the registered holder of the Razorback iron ore tenement EL4267;
- (ii) an Option Deed with Goldus Pty Ltd for the right to conduct iron ore exploration during the 10 year option period and the option to purchase the iron ore tenements EL3927 and EL3997 that surround the main Razorback tenement (EL4267) for \$10 million; and
- (iii) a Consultancy Agreement with Ferus Pty Ltd to provide services to assist Mintech to bring the Razorback iron ore project to pre-feasibility study (PFS) within 3 years, and to a bankable feasibility study with two years of the PFS. The consultancy fees payable to Ferus Pty Ltd on successfully completing a PFS is \$5 million, and upon successfully completing a BFS is \$20 million.

22. AUDITOR'S REMUNERATION

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
▪ an audit or review of the financial report of the entity	61,367	-	61,367	29,067
▪ other services in relation to the entity	-	-	-	-

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

P G Crabb	Chairman	(Non-Executive)
M Flis ¹	Managing Director	(Executive)
F DeMarte	Director	(Executive)
B D Richardson	Director	(Non-Executive)
R W Crabb ²	Director	(Non-Executive)
M J Randall	Director	(Non-Executive)

Note 1: M Flis was appointed Managing Director on 11 August 2009.

Note 2: R W Crabb resigned as a Director on 11 August 2009.

(b) Compensation for Key Management Personnel

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short term employee benefits	545,630	-	545,630	290,750
Annual leave provision	21,533	-	21,533	5,922
Post employment benefits	71,070	-	71,070	96,438
Directors and Officers Insurance	-	-	-	-
Share based payments	268,917	-	268,917	2,360,645
Total compensation	907,170	-	907,170	2,753,755

(c) Shares issued on Exercise of Compensation Options

During the financial year there were no shares issued to directors or key executives on exercise of compensation options.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Options holding of Key Management Personnel

30 June 2009	Balance at beginning of year 01-Jul-08	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30-Jun-09	Vested at 30 June 2009		
						Total	Exercisable	Not Exercisable
Directors								
P G Crabb	5,880,635	750,000	-	-	6,630,635	6,630,635	6,630,635	-
F DeMarte	3,213,680	750,000	-	-	3,963,680	3,963,680	3,963,680	-
B D Richardson	3,733,698	500,000	-	-	4,233,698	4,233,698	4,233,698	-
R W Crabb	2,670,581	500,000	-	-	3,170,581	3,170,581	3,170,581	-
M Randall	1,635,675	500,000	-	-	2,135,675	2,135,675	2,135,675	-
Executive								
M Flis	4,500,000	1,000,000	-	-	5,500,000	5,500,000	3,000,000	2,500,000
Total	21,634,269	4,000,000	-	-	25,634,269	25,634,269	23,134,269	2,500,000

30 June 2008	Balance at beginning of year 01-Jul-07	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30-Jun-08	Vested at 30 June 2008		
						Total	Exercisable	Not Exercisable
Directors								
P G Crabb	4,486,649	1,000,000	(1,542,774)	1,936,760	5,880,635	5,880,635	5,880,635	-
F DeMarte	1,463,682	1,750,000	(181,841)	181,839	3,213,680	3,213,680	3,213,680	-
B D Richardson	1,417,396	2,500,000	(183,698)	-	3,733,698	3,733,698	3,733,698	-
R W Crabb	1,999,582	750,000	(499,791)	420,790	2,670,581	2,670,581	2,670,581	-
M Randall	921,350	750,000	(35,675)	-	1,635,675	1,635,675	1,635,675	-
Executive								
M Flis (Appointed 31 March 2008)	-	4,500,000	-	-	4,500,000	4,500,000	1,500,000	3,000,000
Total	10,288,659	11,250,000	(2,443,779)	2,539,389	21,634,269	21,634,269	18,634,269	3,000,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Shareholdings of Key Management Personnel

Shareholdings

The number of shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below.

30 June 2009	Balance 01-Jul-08 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30-Jun-09 Ord
Directors					
P G Crabb	10,898,410	-	-	600,000	11,498,410
R W Crabb	2,110,023	-	-	-	2,110,023
F DeMarte	909,201	-	-	-	909,201
B D Richardson	886,094	-	-	-	886,094
M Randall	294,593	-	-	-	294,593
Key Management Personnel					
M Flis	-	-	-	-	-
Total	15,098,321	-	-	600,000	15,698,141

30 June 2008	Balance 01-Jul-07 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30-Jun-08 Ord
Directors					
P G Crabb	7,328,650	-	1,633,000	1,936,760	10,898,410
R W Crabb	889,372	-	499,791	720,860	2,110,023
F DeMarte	545,521	-	181,841	181,839	909,201
B D Richardson	551,093	-	183,698	151,303	886,094
M Randall	200,000	-	35,675	58,918	294,593
Key Management Personnel					
M Flis (Appointed 31 March 2008)	-	-	-	-	-
Total	9,514,636	-	2,534,005	3,049,680	15,098,321

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(f) Loans to Key Management Personnel

There were no loans to key management personnel during the year.

(g) Other transactions and balances with Key Management Personnel and their related parties

Disclosures relating to other transactions and balances with key management personnel are included and set out in note 25.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

24. SHARE BASED PAYMENTS (continued)

The following table lists the inputs to the model used for the year ended 30 June 2009.

Number of Options	3,000,000	100,000	1,900,000
Share Price at grant date	8 cents	7.5 cents	6 cents
Option exercise price	30 cents	8 cents	8 cents
Expiry date	30/11/2013	31/12/2011	30/04/2013
Expected life of the option (years)	5 years	3 years	4 years
Vesting period (months)	-	12 months	12 months
Dividend yield (%)	Nil%	Nil%	Nil%
Expected volatility (%)	99.7%	113.8%	178.46%
Risk-free interest rate (%)	4.05%	2.94%	4.08%
Fair value of options	3.19 cents	3.58 cents	3.86 cents
Vesting date	-	17/12/2009	1/05/2010

The following table lists the inputs to the model used for the year ended 30 June 2008.

Number of Options	6,750,000	250,000	1,350,000	500,000	500,000	1,500,000	1,500,000	1,500,000	420,000
Share price at grant date	60 cents	32.5 cents	28 cents	28 cents	28 cents	19.5 cents	19.5 cents	19.5 cents	33.5 cents
Option exercise price	50 cents	34 cents	50 cents	20 cents	40 cents	25 cents	30 cents	50 cents	34 cents
Expiry date	30/06/2012	10/01/2011	15/01/2011	9/03/2010	9/03/2010	6/04/2011	6/04/2012	6/04/2013	30/06/2011
Expected life of the option (years)	5 years	3 years	3 years	2 years	2 years	3 years	4 years	5 years	3 years
Vesting period (months)	-	12 months	12 months	-	-	-	12 months	24 months	12 months
Dividend yield (%)	Nil%	Nil%	Nil%	Nil%	Nil%	Nil%	Nil%	Nil%	Nil%
Expected volatility (%)	94.4%	98.1%	99.2%	96.3%	96.3%	98.7%	98.7%	98.7%	98.7%
Risk-free interest rate (%)	6.25%	6.68%	6.58%	6.26%	6.26%	6.26%	6.15%	6.15%	6.93%
Fair value of options	32.5 cents	14.4 cents	10.4 cents	7.5 cents	5.1 cents	8.1 cents	8.8 cents	8.7 cents	15.2 cents
Vesting date	-	9/01/2009	14/01/2009	-	-	-	7/04/2009	7/04/2010	18/06/2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

25. RELATED PARTY DISCLOSURES

No fees were paid/payable in the normal course of business in 2009 for drilling and exploration services (2008: \$52,040) and included in trade creditors \$Nil (2008: \$Nil) to a company of which Mr Philip Crabb is a director and shareholder.

No fees were paid in the normal course of business in 2009 for consultancy services (2008: \$6,600) to Mr Philip Crabb.

Fees paid in the normal course of business in 2009 for geological services totalling \$8,800 (2008: \$89,192) were paid/payable (balance outstanding at 30 June 2009) and included in trade creditors \$Nil (2008: \$8,800) to a company of which Mr Brian Richardson is a director and shareholder.

Fees paid in the normal course of business in 2009 for office rentals, administration and employee services totalling \$195,843 (2008: \$163,702) were paid/payable (balance outstanding at 30 June 2009, and included in trade creditors \$Nil (2008: \$603) to a company of which all the directors are directors and shareholders.

Costs paid in the normal course of business in 2009 for exploration expenditure in relation to a farm-in joint venture totalling \$163,361 to a company of which Mr Frank DeMarte is a director and shareholder.

Loans advanced to subsidiary, Royal USA Inc totalling \$7,022,266 (2008: Nil).

Management fees charged to subsidiary totalling \$13,554 (2008: Nil).

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At balance date, the directors are not aware of any material contingent liabilities or contingent assets of the Company.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Royal Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the Company and the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board



Marcus Flis
MANAGING DIRECTOR

Perth, Western Australia

18 September 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Royal Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Royal Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

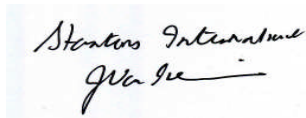
Report on the Remuneration Report

We have audited the remuneration report included in pages 34 to 39 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Royal Resources Limited for the year ended 30 June 2009 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL (An Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
18 September 2009

18 September 2009

Board of Directors
Royal Resources Limited
Level 3, 1060 Hay Street
WEST PERTH WA 6005

Dear Directors

RE: ROYAL RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Royal Resources Limited.

As Audit Director for the audit of the financial statements of Royal Resources Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director