

# **ROYAL RESOURCES LIMITED**

**ABN 34 108 102 432**

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2008**

# ROYAL RESOURCES LIMITED

ABN 74 950 465 654

## HALF-YEAR FINANCIAL REPORT – 31 DECEMBER 2008

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**ROYAL RESOURCES LIMITED**  
**ABN 34 108 102 432**

**CORPORATE DIRECTORY**

**DIRECTORS**

Philip G Crabb	(Chairman)
Frank DeMarte	(Executive Director)
Brian D Richardson	(Non Executive Director)
Rick W Crabb	(Non Executive Director)
Malcolm J Randall	(Non Executive Director)

**EXECUTIVE**

Marcus Flis	(Chief Executive Officer)
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**COMPANY SECRETARY**

Frank DeMarte

**REGISTERED OFFICE**

Level 3, IBM Building  
1060 Hay Street  
WEST PERTH WA 6005

Telephone: (08) 9322 8542

Facsimile: (08) 9322 6577

Email: [info@royalresources.com.au](mailto:info@royalresources.com.au)

Website: [www.royalresources.com.au](http://www.royalresources.com.au)

**SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000

**AUDITORS**

Stantons International  
Level 1, 1 Havelock Street  
WEST PERTH WA 6005

**SOLICITORS**

Blakiston & Crabb  
1202 Hay Street  
WEST PERTH WA 6005

**STOCK EXCHANGE LISTING**

The Company's shares are listed and quoted on the Australian Securities Exchange Limited ("ASX").

Home Exchange: Perth, Western Australia

ASX Codes: ROY  
ROYOA

**ROYAL RESOURCES LIMITED**  
**ABN 34 108 102 432**

***DIRECTORS' REPORT***

The directors submit their report on the Company for the half year ended 31 December 2008.

**DIRECTORS**

The names of the Company's directors in office during the half year and until the date of this report are:

Philip G Crabb  
Frank DeMarte  
Brian D Richardson  
Rick W Crabb  
Malcolm J Randall

**RESULT**

The Consolidated Entity incurred an after tax loss for the half year ended 31 December 2008 \$5,540,163 (half year ended 31 December 2007: \$3,220,735).

**REVIEW OF OPERATIONS**

During the period, the Company continued its iron ore exploration activities in Australia and its uranium exploration activities in the United States of America.

**EVENTS SUBSEQUENT TO REPORTING DATE**

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors Report or the Financial Statements, that has significantly or may significantly affect, the state of affairs or operations of the Group in the future financial periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2008 Financial Report:

**Northern Territory Uranium Projects**

Pursuant to a Heads of Agreement dated 14 February 2009 between the Company and Aldershot Resources Ltd (Aldershot), the Company has the right to acquire 60% interest in four of Aldershot's uranium projects (George, Waterhouse West, ABC and Naglia) located in the Northern Territory.

Under the terms of the Agreement, subject to the conditions precedent being satisfied, the Company will reimburse Aldershot the sum of \$100,000 and must spend \$900,000 over 3 years to acquire a 60% interest in the projects.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the Directors:



Frank DeMarte  
Director

Perth, Western Australia  
16 March 2009

**ROYAL RESOURCES LIMITED**  
**ABN 34 108 102 432**

**CONDENSED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated 31 December 2008 \$	Parent 31 December 2007 \$
<b>CONTINUING OPERATIONS</b>			
Revenue	3	3,130,868	205,201
Other expenses	3	(8,671,031)	(3,425,936)
<b>Loss from continuing operations before income tax</b>		<b>(5,540,163)</b>	<b>(3,220,735)</b>
Income tax expense		-	-
<b>Loss after tax from continuing operations attributable to members</b>		<b>(5,540,163)</b>	<b>(3,220,735)</b>
Profit/(loss) per share attributable to ordinary equity holders:			
- Basic earnings/(loss) for the half-year	4	(5.99)	(4.50)
- Diluted earnings/(loss) for the half-year		(5.99)	(4.50)

The above Condensed Income Statement should be read in conjunction with the accompanying  
condensed notes.

**ROYAL RESOURCES LIMITED**  
ABN 34 108 102 432

**CONDENSED BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Notes	Consolidated 31 December 2008 \$	Parent 30 June 2008 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	4,141,337	5,607,418
Trade and other receivables		3,400	13,673
<b>Total Current Assets</b>		<b>4,144,737</b>	<b>5,621,091</b>
<b>Non-Current Assets</b>			
Receivables		732,820	602,982
Other financial assets		861,000	263,500
Property, plant and equipment		336,929	421,759
Exploration and evaluation expenditure		1,513,370	4,874,625
Intangibles		36,920	-
<b>Total Non-Current Assets</b>		<b>3,481,039</b>	<b>6,162,866</b>
<b>TOTAL ASSETS</b>		<b>7,625,776</b>	<b>11,783,957</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		264,663	318,779
Provisions		34,370	18,409
<b>Total Current Liabilities</b>		<b>299,033</b>	<b>377,188</b>
<b>TOTAL LIABILITIES</b>		<b>299,033</b>	<b>377,188</b>
<b>NET ASSETS</b>		<b>7,326,743</b>	<b>11,446,769</b>
<b>EQUITY</b>			
Issued capital	5	15,709,716	15,709,716
Other reserves		5,413,362	3,993,225
Accumulated losses		(13,796,335)	(8,256,172)
<b>TOTAL EQUITY</b>		<b>7,326,743</b>	<b>11,446,769</b>

The above Condensed Balance Sheet should be read in conjunction with the accompanying condensed notes.

**CONDENSED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Notes	Consolidated 31 December 2008 \$	Parent 31 December 2007 \$
<b>Cash flows from operating activities</b>		
Other revenue received	8,669	-
Payments to suppliers and employees	(475,806)	(172,453)
Interest received	126,210	95,771
Interest paid	(11)	(8,356)
<b>Net cash flows used in operating activities</b>	<u>(340,938)</u>	<u>(85,038)</u>
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditure	(3,240,891)	(2,494,132)
Proceeds from sale of property, plant and equipment	46,938	-
Proceeds from sale of tenements	2,000,000	663,000
Placement of security deposits	(129,838)	(53,621)
Payments for plant and equipment	(17,204)	(347,414)
Payments for intangibles	(36,920)	-
<b>Net cash flows (used in)/from investing activities</b>	<u>(1,377,915)</u>	<u>(2,232,167)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	-	9,043,842
Proceeds from borrowings	-	1,000,000
Repayment of borrowings	-	(1,000,000)
Share issue costs	-	(330,534)
<b>Net cash flows from/(used in) financing activities</b>	<u>-</u>	<u>8,713,308</u>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	(1,718,853)	6,396,103
<b>Cash and cash equivalents at the beginning of the half year</b>	5,607,418	1,736,014
Exchange differences on cash balances held	252,772	-
<b>Cash and cash equivalents at the end of the half year</b>	<u>9</u> <u>4,141,337</u>	<u>8,132,117</u>

The above Condensed Cash Flow Statement should be read in conjunction with the accompanying condensed notes.

**ROYAL RESOURCES LIMITED**

ABN 34 108 102 432

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Equity \$	Accumulated losses \$	Option Reserve \$	Equity Reserve \$	Fair Value Reserve \$	Foreign Currency Reserve \$	Total \$
<b>Consolidated</b>							
<b>At 1 July 2008</b>	15,709,716	(8,256,172)	1,007,941	2,976,784	8,500	-	11,446,769
Recognised value of share based payments	-	-	-	316,379	-	-	273,880
Net unrealised loss on available for sale financial asset	-	-	-		(42,500)	-	(42,500)
Currency translation difference	-	-	-		-	1,146,258	1,146,258
(Loss) for the period	-	(5,540,163)	-		-		(4,393,905)
<b>At 31 December 2008</b>	15,709,716	(13,796,335)	1,007,941	3,293,163	(34,000)	1,146,258	7,326,743
	Equity \$	Accumulated losses \$	Option Reserve \$	Equity Reserve \$	Fair Value Reserve \$	Foreign Currency Reserve \$	Total \$
<b>Parent</b>							
<b>At 1 July 2007</b>	7,976,623	(3,457,032)	-	469,355	-	-	4,988,946
Shares issued during the period	8,062,901	-	-	-	-	-	8,062,901
Transaction costs	(330,534)	-	-	-	-	-	(330,534)
Options issued during the period	-	-	1,007,941	-	-	-	1,007,941
Net unrealised gain on available for sale financial asset	-	-	-	63,750	-	-	63,750
Recognised value of share based payments	-	-	-	2,193,750	-	-	2,193,750
(Loss) for the period	-	(3,220,735)	-	-	-	-	(3,220,735)
<b>At 31 December 2007</b>	15,708,990	(6,677,767)	1,007,941	2,726,355	-	-	12,766,019

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying condensed notes.

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**1. CORPORATE INFORMATION**

The financial report of Royal Resources Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 16 March 2009. Royal Resources Limited is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described on page 2 in the Directors' report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Going Concern**

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend on future successful capital raisings, the successful exploration and subsequent exploitation of the Company's tenements and/or sale of non-core assets. The Directors are confident of securing funds if and when necessary to meet the Group's obligations as and when they fall due.

Should the Company not be successful in raising additional funding by capital raisings or other alternative funding arrangements fail to eventuate, there is uncertainty as to whether the Company and its subsidiary will be able to continue as a going concern.

If the Company is unable to continue as a going concern, the Group will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial report.

**(c) New Accounting Standards and Interpretations**

Since 1 July 2008 the Company has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Company.

*AASB 2008-12 Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures).*

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**(d) Principals of Consolidation**

The interim consolidated financial statements comprise of Royal Resources Limited and its subsidiary (the Group) as at 31 December 2008.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated. Unrealised losses are eliminated unless costs cannot be recovered.

**(e) Significant accounting policies**

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Royal Resources Limited as at 30 June 2008.

It is also recommended that the half year financial report be considered together with any public announcements made by Royal Resources Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

**(f) Interests in joint ventures**

The Group has interests in joint ventures that are jointly controlled entities.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognises its interest in the jointly controlled entities by recognising the assets that it controls and the liabilities that it incurs. The Group 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 entities.

**(g) Comparatives**

The comparative figures for 31 December 2007 and 30 June 2008 are for the Parent company only. The subsidiary Royal USA Inc has only been consolidated for the period ended 31 December 2008 as it was previously dormant.

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**3. REVENUE, INCOME AND EXPENSES**

Loss before income tax has been arrived at after including:-

	<b>Consolidated 31 December 2008 \$</b>	<b>Parent 31 December 2007 \$</b>
<b>REVENUE</b>		
Interest revenue	126,210	95,771
Sundry income	8,669	-
Foreign currency gains	<u>252,772</u>	<u>51,010</u>
	<u>387,651</u>	<u>146,781</u>
Proceeds from sale of tenements	3,060,000	918,000
Cost of tenements sold	<u>(316,589)</u>	<u>(859,580)</u>
Net gain on disposal of tenements	<u>2,743,411</u>	<u>58,420</u>
Proceeds from sale of plant & equipment	46,938	-
Cost of plant & equipment sold	<u>(46,744)</u>	<u>-</u>
Net loss on disposal of plant & equipment	<u>(194)</u>	<u>-</u>
Total Revenue	<u><u>3,130,868</u></u>	<u><u>205,201</u></u>
<b>OTHER EXPENSES</b>		
Depreciation	115,453	23,850
Exploration expenditure written off	7,371,265	865,542
Share based payment expenses	316,380	2,173,750
Administration expenses	867,933	362,794
<b>Total Other Expenses</b>	<u><u>8,671,031</u></u>	<u><u>3,425,936</u></u>

**4. EARNINGS PER SHARE**

	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share (cents per share)	(5.99)	(4.50)
Diluted earnings/(loss) per share (cents per share)	(5.99)	(4.50)

Weighted average number of ordinary shares used in the calculation of basic loss per share is 92,460,720 (31 December 2007 – 71,628,204). Options to purchase ordinary shares not exercised at 31 December 2008 have not been included in the determination of basic earnings per share.

**5. CONTRIBUTED EQUITY**

**(a) Issued and paid up capital**

	<b>31 December 2008 \$</b>	<b>30 June 2008 \$</b>
<b>Ordinary shares</b>		
Issued and fully paid	<u>15,709,716</u>	<u>15,709,716</u>

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**5. CONTRIBUTED EQUITY**

**(b) Movement in ordinary shares on issue**

	Number of shares	Issue Price \$	Total \$
1/07/2008 Opening Balance	92,460,720		15,709,716
<b>Balance at 31 December 2008</b>	92,460,720		15,709,716

**(c) Movement in options on issue**

	Number of Options 2008
<b>(i) Quoted options exercisable at 20 cents, on or before 11 July 2009</b>	
Opening balance	39,730,858
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	39,730,858
<b>(ii) Unquoted options exercisable at 20 cents, on or before 31 January 2011</b>	
Opening balance	4,800,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	4,800,000
<b>(iii) Unquoted options exercisable at 32 cents, on or before 30 April 2009</b>	
Opening balance	295,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	295,000
<b>(iv) Unquoted options exercisable at 50 cents, on or before 30 June 2012</b>	
Opening balance	6,750,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	6,750,000

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**5. CONTRIBUTED EQUITY (continued)**

**(c) Movement in options on issue (continued)**

	<b>Number of Options 2008</b>
 (v) Unquoted options exercisable at 34 cents, on or before 10 January 2011	
Opening balance	250,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	250,000
 (vi) Unquoted options exercisable at 50 cents, on or before 15 January 2011	
Opening balance	1,350,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	1,350,000
 (vii) Unquoted options exercisable at 20 cents, on or before 9 March 2010	
Opening balance	500,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	500,000
 (viii) Unquoted options exercisable at 40 cents, on or before 9 March 2010	
Opening balance	500,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	500,000
 (ix) Unquoted options exercisable at 25 cents, on or before 6 April 2011	
Opening balance	1,500,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	1,500,000

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**5. CONTRIBUTED EQUITY (continued)**

**(c) Movement in options on issue (continued)**

	<b>Number of Options 2008</b>
 (x) Unquoted options exercisable at 30 cents, on or before 6 April 2012	
Opening balance	1,500,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	1,500,000
 (xi) Unquoted options exercisable at 50 cents, on or before 6 April 2013	
Opening balance	1,500,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	1,500,000
 (xii) Unquoted options exercisable at 34 cents, on or before 30 June 2011	
Opening balance	420,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	420,000
 (xiii) Unquoted options exercisable at 30 cents, on or before 30 November 2013	
Opening balance	-
Issued during the half year	3,000,000
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	3,000,000
 (xiv) Unquoted options exercisable at 8 cents, on or before 31 December 2011	
Opening balance	-
Issued during the half year	100,000
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	100,000

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**6. SEGMENT INFORMATION**

Royal Resources Limited operates within the exploration industry in Western Australia and in the states of Colorado and Utah in the United States of America.

Primary Reporting Geographical Segments	Segment Revenues Dec 2008 \$	Segment Revenues Dec 2007 \$	Segment Results Dec 2008 \$	Segment Results Dec 2007 \$	Segment Assets Dec 2008 \$	Segment Assets Dec 2007 \$	Segment Liabilities Dec 2008 \$	Segment Liabilities Dec 2007 \$
Australia	2,869,260	198,243	1,255,091	(3,220,656)	6,688,314	8,875,731	293,566	69,705
USA	261,608	6,958	(6,792,254)	(79)	937,462	3,959,993	5,467	-
Eliminations/Unallocated		-	-	-	-	-	-	-
<b>Total</b>	<b>3,130,868</b>	<b>205,201</b>	<b>(5,540,163)</b>	<b>(3,220,735)</b>	<b>7,625,776</b>	<b>12,835,724</b>	<b>299,033</b>	<b>69,705</b>

**7. SUBSEQUENT EVENTS**

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors Report or the Financial Statements, that has significantly or may significantly affect, the state of affairs or operations of the reporting entity in the future financial periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2008 Financial Report:

**Northern Territory Uranium Projects**

Pursuant to a Heads of Agreement dated 14 February 2009 between the Company and Aldershot Resources Ltd (Aldershot), the Company has the right to acquire 60% interest in four of Aldershot's uranium projects (George, Waterhouse West, ABC and Naglia) located in the Northern Territory.

Under the terms of the Agreement, subject to the conditions precedent being satisfied, the Company will reimburse Aldershot the sum of \$100,000 and must spend \$900,000 over 3 years to acquire a 60% interest in the projects.

**8. CONTINGENT LIABILITIES**

In the opinion of the directors, there are no contingent liabilities at 31 December 2008 and none were incurred in the interval between the period end and the date of this financial report.

**9. CASH AND CASH EQUIVALENTS**

For the purposes of the half year Condensed Cash Flow Statement, cash and cash equivalents comprise the following:

	<b>Consolidated 31 December 2008 \$</b>	<b>Parent 30 June 2008 \$</b>
Cash at bank and in hand	247,854	687,449
Short-term deposits	3,893,483	4,919,969
	<b>4,141,337</b>	<b>5,607,418</b>

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**10. RELATED PARTY DISCLOSURES**

The following table provides the total amount of transactions that were entered into with related parties for the half year ended 31 December 2008 and 2007:

<u>Related party</u>		<u>Fees charged by related parties</u>	<u>Amounts owed to related parties</u>
		\$	\$
Key management personnel of the Company:			
Ragged Range Mining Pty Ltd	2008	-	-
	2007	-	22,110
Thundelarra Exploration Ltd	2008	65,425	-
	2007	53,016	-

Mr Philip G Crabb is a director and shareholder of Ragged Range Mining Pty Ltd which has provided exploration services to the Company on normal terms and conditions.

All the directors (except Mr Rick Crabb) of the Company are directors and shareholders of Thundelarra Exploration Ltd which has provided office premises and administration services to the Company on normal terms and conditions.

**11. SHARE BASED PAYMENTS**

On 27 November 2008, 3,000,000 share options were granted to directors. The options are exercisable from date of grant and expire on 30 June 2013. The exercise price of the options is 30 cents each. The fair value is estimated at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

Dividend yield (%)	-
Expected volatility (%)	99.7%
Risk-free interest rate (%)	4.05%
Period of option	5 years
Discount for unlisted options	30%
Market price at grant date	8 cents

The estimated fair value of each option at grant date is 4.55 cents.

On 17 December 2008, 100,000 share options were granted to an employee. The options vest 12 months from the grant date and expire on 31 December 2011. The exercise price of the options is 8 cents each. The fair value is estimated at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

Dividend yield (%)	-
Expected volatility (%)	113.8%
Risk-free interest rate (%)	2.94%
Period of option	3 years
Discount for unlisted options	30%
Market price at grant date	7.5 cents

The estimated fair value of each option at grant date is 3.58 cents.

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**12. CONTROLLED ENTITY**

Name	Country of Incorporation	Percentage Interest Held		Carrying amount of Parent Entity's Investment	
		2008	2007	2008	2007
		%	%	\$	\$
Royal USA Inc	Colorado, USA	100	100	-	-

**13. INTEREST IN JOINT VENTURES**

The Company has an interest in several joint ventures as follows:

***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.

***Lynx2 Joint Venture***

The Lynx2 Option and Joint Venture Agreement is between Lynx2 LLC of Salt Lake City, Utah, USA and the Company. 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 Company through its 100% owned subsidiary Royal USA Inc, has earned an 80% interest in all claims, properties and resources acquired by the joint venture Lynx-Royal JV LLC by expending US\$4.5 million within 5 years. Lynx2 LLC has a 20% interest which is free carried by the Company until the completion of the first bankable feasibility study on any of the claims, properties and resources acquired.

***Canon City Uranium Joint Venture***

The Canon City Joint Venture is between the Company, Lynx3 LLC, Randy Dale Roberts 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 Thirtynine 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 Company (through its 100% subsidiary Royal USA Inc) and Lynx3 LLC 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 incurring expenditure of US\$800,000 over 18 months. Geomininc's 20% interest is free carried by the Company and Lynx3 LLC 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 Uranium Joint Venture Agreement, the Company interest in all acquired projects will be 64%, with Geomininc holding 20% and Lynx3 LLC 16%.

***Colorado Plateau Partners Joint Venture***

The Colorado Plateau Partners LLC Joint Venture is between the Lynx-Royal JV LLC and Energy Fuels Resources Corporation (Energy Fuels), a TSX Venture Exchange listed company. The purpose of the joint venture is to explore, evaluate and mine uranium properties in the highly prospective Colorado Plateau where the parties have existing exploration properties.

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**14. INTEREST IN JOINT VENTURES (continued)**

Under the terms and conditions of the joint venture, Lynx-Royal JV LLC and Energy Fuels will each contribute their respective Colorado properties to the joint venture. Lynx-Royal JV LLC and Energy Fuels will contribute equally 50% of the expenditure commitments. The Company interest in the joint venture properties will be 40%, with Energy Fuels holding 50% and Lynx2 LLC 10%.

**Arizona Strip Partners Joint Venture**

The Arizona Strip Partners LLC Joint Venture is between the Lynx-Royal JV LLC and Energy Fuels Resources Corporation, (Energy Fuels) 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 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 has contributed the Arizona properties controlled by Energy Fuels and Lynx-Royal JV LLC can earn 50% interest in the joint venture properties by expending US\$2 million over 3 years.

After satisfying all the joint venture terms and conditions of the Arizona Strip Partners Joint Venture Agreement, the Company interest in the joint venture properties will be 40%, with Energy Fuels holding 50% and Lynx2 LLC 10%.

**15. COMMITMENTS**

There are no outstanding commitments or contingencies which are not disclosed in the financial report of the Company as at 31 December 2008 other than:

**(i) Mineral Tenement Expenditure Commitments – Australia**

	<b>31 December 2008 \$</b>	<b>Parent 30 June 2008 \$</b>
Within one year	878,769	635,854
After one year but not more than five years	1,498,173	2,543,416
More than five years	657,297	635,854
	3,034,239	3,443,280

The Company 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.

**CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**(i) Mineral Tenement Expenditure Commitments – Australia (continued)**

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.

**(ii) Mineral Tenement Expenditure Commitments – USA**

	<b>31 December 2008 US\$</b>	<b>Parent 30 June 2008 US\$</b>
Within one year	785,005	1,646,500
After one year but not more than five years	1,274,000	1,530,000
More than five years	-	-
	<b>2,059,005</b>	<b>3,176,500</b>

The Company has expenditure obligations 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 31 December 2008 are as follows:

	<b>31 December 2008 \$</b>	<b>Parent 30 June 2008 \$</b>
Within one year	1,137,238	1,730,126
After one year but not more than five years	1,845,644	1,607,709
More than five years	-	-
	<b>2,982,882</b>	<b>3,337,835</b>

**(iii) Operating Lease Commitments**

	<b>31 December 2008 \$</b>	<b>Parent 30 June 2008 \$</b>
Within one year	92,044	83,486
After one year but not more than five years	352,602	484,381
More than five years	-	-
	<b>444,646</b>	<b>567,867</b>

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

## ***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 and notes of the Consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the Consolidated entity; and
  - (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" 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.

On behalf of the Board



Frank DeMarte  
Director

Perth, Western Australia  
16 March 2009

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Royal Resources Limited, which comprises the consolidated condensed balance sheet as at 31 December 2008, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 controls relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim And Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Royal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

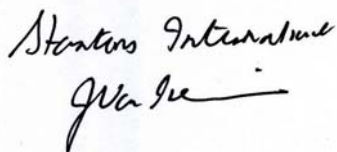
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Royal Resources Limited on 16 March 2009.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Royal Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

### **STANTONS INTERNATIONAL (Authorised Audit Company)**



Stantons International  
John Van Dieren

**John Van Dieren**  
Director

West Perth, Western Australia  
16 March 2009

# Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
www.stantons.com.au

16 March 2009

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

Dear Sirs

**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 review of the financial statements of Royal Resources Limited for the period ended 31 December 2008, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John Van Dieren**  
**Director**