

**ROYAL RESOURCES LIMITED**

**ABN 34 108 102 432**

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**NOTICE OF ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**AND**

**PROXY FORM**

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**Date of Meeting**

27 November 2008

**Time of Meeting**

10.00 am WDT

**Place of Meeting**

Colonial Conference Room  
The Melbourne  
Corner of Hay and Milligan Streets, Perth  
Western Australia

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

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Shareholders of Royal Resources Limited ABN 34 108 102 432 ("**Company**") will be held at the Colonial Conference Room, The Melbourne, corner of Hay and Milligan Street, Perth, Western Australia on 27 November 2008 at 10.00 am WDT for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of Annual General Meeting.

Please note terms used in the Resolutions contained in this Notice of Annual General Meeting have the same meaning as set out in the Glossary of the Explanatory Memorandum accompanying this Notice.

**AGENDA**

**BUSINESS**

**Financial Reports**

To receive the Financial Statements of the Company for the year ended 30 June 2008.

**Resolution 1 – Remuneration Report**

To consider and, if thought fit, to pass the following resolution as a non-binding **ordinary resolution**:

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Remuneration Report as contained within the Directors' Report be adopted."*

*Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.*

**Resolution 2 – Re-election of Mr Frank DeMarte as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Frank DeMarte, being a Director, retiring by rotation in accordance with clause 13.2 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."*

**Resolution 3 – Re-election of Mr Brian D Richardson as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Brian D Richardson, being a Director, retiring by rotation in accordance with clause 13.2 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."*

#### **Resolution 4 - Approval to Grant Options to a Director – Mr Philip G Crabb**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Company approves and authorises the Directors to grant to Mr Philip G Crabb (or his nominee or nominees) 750,000 Options, each with an exercise price of \$0.30 and an expiry date of 30 November 2013, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting (including Annexure A to the Explanatory Memorandum)."*

The Company will in accordance with section 224 of the Corporations Act 2001 disregard any votes cast on Resolution 4 by Mr Philip G Crabb and any associate of Mr Philip G Crabb. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Philip G Crabb or an associate of Mr Philip G Crabb.

#### **Resolution 5 - Approval to Grant Options to a Director – Mr Frank DeMarte**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Company approves and authorises the Directors to grant to Mr Frank DeMarte (or his nominee or nominees) 750,000 Options, each with an exercise price of \$0.30 and an expiry date of 30 November 2013, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting (including Annexure A to the Explanatory Memorandum)."*

The Company will in accordance with section 224 of the Corporations Act 2001 disregard any votes cast on Resolution 5 by Mr Frank DeMarte and any associate of Mr Frank DeMarte. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Frank DeMarte or an associate of Mr Frank DeMarte.

#### **Resolution 6– Approval to Grant Options to a Director – Mr Brian D Richardson**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Company approves and authorises the Directors to grant to Mr Brian D Richardson (or his nominee or nominees) 500,000 Options, each with an exercise price of \$0.30 and an expiry date of 30 November 2013, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting (including Annexure A to the Explanatory Memorandum)."*

The Company will in accordance with section 224 of the Corporations Act 2001 disregard any votes cast on Resolution 6 by Mr Brian D Richardson and any associate of Mr Brian D Richardson. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Brian D Richardson or an associate of Mr Brian D Richardson.

### **Resolution 7 – Approval to Grant Options to a Director – Mr Rick W Crabb**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Company approves and authorises the Directors to grant to Mr Rick W Crabb (or his nominee or nominees) 500,000 Options, each with an exercise price of \$0.30 and an expiry date of 30 November 2013, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting (including Annexure A to the Explanatory Memorandum)."*

The Company will in accordance with section 224 of the Corporations Act 2001 disregard any votes cast on Resolution 7 by Mr Rick W Crabb and any associate of Mr Rick W Crabb. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Rick W Crabb or an associate of Mr Rick W Crabb.

### **Resolution 8 – Approval to Grant Options to a Director – Mr Malcolm J Randall**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Company approves and authorises the Directors to grant to Mr Brian D Richardson (or his nominee or nominees) 500,000 Options, each with an exercise price of \$0.30 and an expiry date of 30 November 2013, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting (including Annexure A to the Explanatory Memorandum)."*

The Company will in accordance with section 224 of the Corporations Act 2001 disregard any votes cast on Resolution 8 by Mr Malcolm J Randall and any associate of Mr Malcolm J Randall. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Malcolm J Randall or an associate of Mr Malcolm J Randall.

### **Resolution 9 – Approval of the Issue of Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 7.1 and for all other purposes, the Company approves and authorises the Directors to allot and issue up to 50,000,000 Shares at a minimum issue price per Share which is at least 80% of the average market price of Shares trading on ASX over the last 5 days on which sales in the Shares were recorded before the day on which the issue was made (or if there is a prospectus relating to the issue, over the last 5 days on which sales in the Shares were recorded before the date of the prospectus), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."*

The Company will disregard any votes cast on Resolution 9 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **Resolution 10 – Employee Share Option Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 7.2, Exception 9 of the Listing Rules and for all other purposes, the Company approves, as an exception to Listing Rule 7.1, the issue of securities under the employee incentive option scheme for employees known as "Royal Resources Limited Employee Share Option Plan", the rules of which are annexed as Annexure B to the Explanatory Memorandum accompanying this Notice of Annual General Meeting."*

The Company will disregard any votes cast on this Resolution 10 by a Director and any associates of Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**By order of the Board**



**Frank DeMarte**  
Company Secretary

Dated: 17 September 2008

## PROXIES

- Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.
- A Shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at the Annual General Meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the Shareholder's voting rights. Fractions shall be disregarded.
- A proxy may, but need not be a Shareholder of the Company.
- The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorising in writing or, if such appointor is a corporation, either under seal or under hand of the officer of his attorney duly authorised.
- The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and must reach the Registered Office of the Company as detailed below at least 48 hours prior to the Annual General Meeting. For the convenience of Shareholders a Proxy Form is enclosed.

**Post to:**

Royal Resources Limited  
PO Box 7525  
Cloisters Square,  
PERTH WA 6850

**Deliver to:**

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

**Or by facsimile on:**

+61 8 9322 6577

## Entitlement to vote

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding Shares at 5.00 pm Western Daylight Time on 25 November 2008 will be entitled to attend and vote at the Annual General Meeting.

## Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to the Company before the Annual General Meeting.

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

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary appearing at the end of this Explanatory Memorandum.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

**Financial Report**

Appropriate time will be devoted to the consideration of the Financial Statements and Reports of the Company for the year ended 30 June 2008 at this Annual General Meeting.

**RESOLUTION 1 – REMUNERATION REPORT**

Section 298 of the Corporations Act requires that the annual Directors' Report contain a Remuneration Report prepared in accordance with section 300A of the Corporations Act.

Pursuant to section 250R(2) of the Corporations Act, a resolution adopting the Remuneration Report contained within the Directors' Report must be put to the vote.

Shareholders are advised that pursuant to section 250R(3) of the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is set out within the Directors' Report in the Company's 2008 Annual Financial Report. The report:

- explains the Board's policy for determining the nature and amount of remuneration of executive Directors;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and each senior executive of the Company ; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

**RESOLUTIONS 2 AND 3 - RE-ELECTION OF FRANK DEMARTE AND MR BRIAN D RICHARDSON AS DIRECTORS**

Resolution 2 seeks approval for the re-election of Mr Frank DeMarte as a Director with effect from the end of the meeting. Resolution 3 seeks approval for the re-election of Mr Brian Richardson as a Director with effect from the end of this meeting.

Clause 13.2 of the Company's Constitution provides that at each Annual General Meeting one-third of the Directors (other than alternate Directors and the Managing Director) or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors must retire from office.

Mr Frank DeMarte and Mr Brian D Richardson retire in accordance with this requirement, and offer themselves for re-election as Directors.

#### **RESOLUTIONS 4 TO 8 – APPROVAL TO GRANT OPTIONS TO DIRECTORS**

The Company proposes to grant a total of 3,000,000 Options to Messrs Philip G Crabb, Frank DeMarte, Brian D Richardson, Rick W Crabb and Malcolm J Randall (together the "**Participating Directors**"). The Options have an exercise price of \$0.30 and an expiry date of 30 November 2013.

The grant of the Options is designed to encourage the Participating 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 Directors consider that the incentives to each of the Participating Directors noted above represented by the grant of these Options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Participating Directors.

The terms of the Options are set out in Annexure A to this Explanatory Memorandum.

The number of Options to be granted to each of the Participating Directors has been determined based upon a consideration of:

- the remuneration of the Participating Directors – the Directors wish to ensure that the remuneration offered is competitive with market standards and where appropriate, based upon performance hurdles. The Directors have considered the proposed number of Options to be granted will ensure that the Participating Directors' overall remunerations is in line with market standards;
- length of service to the Company; and
- incentives to ensure continuity of service of the Participating Directors who have extensive knowledge of the Company and its assets.

In the event the Options are exercised, the following amounts are payable to the Company by the Participating Directors, being the total exercise price in respect of the Options:-

<b>Participating Director</b>	<b>Amount to be paid</b>
Philip G Crabb	\$225,000
Frank DeMarte	\$225,000
Brian D Richardson	\$150,000
Rick W Crabb	\$150,000
Malcolm J Randall	\$150,000
<b>Total</b>	<b>\$900,000</b>

The Company will therefore receive \$900,000 from the Participating Directors should all the Options be exercised.

Shareholders should note that for reasons mentioned above, it is proposed to grant Options to three non-executive Directors (Messrs Philip G Crabb, Rick W Crabb and Malcolm J Randall) notwithstanding Guideline 9.3 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.

## **Related Party Transactions Generally**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, the Participating Directors are considered to be related parties of the Company.

Resolutions 4 to 8 provide for the grant of Options to the Participating Directors of the Company which is a financial benefit which requires Shareholder approval.

## **INFORMATION REQUIREMENTS**

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

***The related party to whom the proposed resolution would permit the financial benefit to be given:***

Subject to Shareholder approval, the following number of Options will be granted to the following related parties (or their respective nominees):

<b>Participating Director</b>	<b>Number of Options</b>
Philip G Crabb	750,000
Frank DeMarte	750,000
Brian D Richardson	500,000
Rick W Crabb	500,000
Malcolm J Randall	500,000
<b>Total</b>	<b>3,000,000</b>

### ***The nature of the financial benefit***

The proposed financial benefit to be given is the grant of Options for no consideration to the Participating Directors as noted above, or their respective nominees. The terms and conditions of the Options to be granted to the Participating Directors (or their respective nominees) are set out in Annexure A to this Explanatory Memorandum.

### ***Directors' recommendation***

All the Directors were available to make a recommendation.

For the reasons noted above:

Messrs Frank DeMarte, Brian D Richardson, Rick W Crabb and Malcolm J Randall (who have no interest in the outcome of Resolution 4) recommend that Shareholders vote in favour of Resolution 4. Mr Philip G Crabb declines to make a recommendation about Resolution 4 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him individually (or his nominee(s)).

Messrs Philip G Crabb, Brian D Richardson, Rick W Crabb and Malcolm J Randall (who have no interest in the outcome of Resolution 5) recommend that Shareholders vote in favour of Resolution 5. Mr Frank DeMarte declines to make a recommendation about Resolution 5 as he has a material personal interest in the

outcome of that particular Resolution as it relates to the proposed grant of Options to him individually (or his nominee(s)).

Messrs Philip G Crabb, Frank DeMarte, Rick W Crabb and Malcolm J Randall (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6. Mr Brian Richardson declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him individually (or his nominee(s)).

Messrs Philip G Crabb, Frank DeMarte, Brian D Richardson and Malcolm J Randall (who have no interest in the outcome of Resolution 7) recommend that Shareholders vote in favour of Resolution 7. Mr Rick W Crabb declines to make a recommendation about Resolution 7 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him individually (or his nominee(s)).

Messrs Philip G Crabb, Frank DeMarte, Brian D Richardson and Rick W Crabb (who have no interest in the outcome of Resolution 8) recommend that Shareholders vote in favour of Resolution 8. Mr Malcolm J Randall declines to make a recommendation about Resolution 8 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him individually (or his nominee(s)).

***Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.***

- (i) Proposed Resolutions 4, 5, 6, 7 and 8 would have the effect of giving power to the Directors to grant a total of 3,000,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 92,460,720 listed Shares on issue, 39,730,858 listed options and 19,365,000 unlisted options as follows:

Number of listed options	Exercise Price	Expiry Date
39,730,858	\$0.20	11 July 2009

Number of unlisted options	Exercise Price	Expiry Date
4,800,000	\$0.20	31 January 2011
295,000	\$0.32	30 April 2009
6,750,000	\$0.50	30 June 2012
250,000	\$0.34	10 January 2011
1,350,000	\$0.50	15 January 2011
500,000	\$0.20	9 March 2010
500,000	\$0.40	9 March 2010
1,500,000	\$0.25	6 April 2011
1,500,000	\$0.30	6 April 2012
1,500,000	\$0.50	6 April 2013

- (ii) If all Options granted as proposed above are exercised, and assuming the existing listed and unlisted options on issue are not exercised, the effect would be to dilute the share holding of existing Shareholders by 3 %. The market price of the Shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Shares may be trading at a price which is higher than the exercise price of the Options.

The Options will not be quoted on ASX and as such have no actual market value.

- (iii) The Participating Directors' base salaries per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of Resolutions 4, 5, 6, 7 and 8 (showing the impact of using a volatility assumption of 99.7% to calculate the value of the Options) are as follows:

<b>Director</b>	<b>Base salary/fee p.a. (\$)</b>	<b>Value of Options * (\$)</b>	<b>Total Financial Benefit (\$)</b>
Philip G Crabb	60,000	63,300	123,300
Frank DeMarte	107,000	63,300	170,300
Brian D Richardson	35,000	42,200	77,200
Rick W Crabb	35,000	42,200	77,200
Malcolm J Randall	35,000	42,200	77,200

\* utilising a 99.7% volatility factor discussed in further detail below.

- (iv) Valuation of Options

The Company's advisers have valued the Options to be granted to the Participating Directors using the Black-Scholes Option Pricing Model ("BSModel"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables and is rounded to the nearest one hundredth of a cent. Their assessment of the value of the Options has been prepared using the following assumptions:

<b>Variable</b>	<b>Input</b>
Share price	17 cents (being the market value of a Share as at 8 September 2008)
Exercise price	30 cents
Risk Free Interest Rate	5.56% (estimated, based on the 5 year Australian treasury bond rate as at 5 September 2008)
Volatility	99.7% (determined utilising the daily closing Share price of the Company over the preceding 12 month period). The effect of the valuation in using volatility factors of 40%, 60% and 80% are set out below.
Expiry date	30 November 2013

The valuation date is as at 8 September 2008, although the Options will not be granted until after Shareholders approve the grant of the Options at this meeting.

The valuations reflected below do not necessarily represent the market value of the Options or the tax values for taxation purposes to the Option holder. The future value of the Options may be up or down on the values noted below as it will primarily depend on the future share price of a Share (for the next 5 years), and the time to expiry of the Options.

A discount factor of 30% has been applied for lack of negotiability of the Options.

Based on the above assumptions, the Company's advisers have calculated an indicative value of one Option to be granted to the Participating Directors to be 8.44 cents (based on a volatility assumption of 99.7% to calculate the value of the Options). Accordingly, the total value of the 3,000,000 Options to be granted to the Participating Directors is \$253,200.

Set out below is the valuation of an Option using volatility factors of 40%, 60% and 80%:

<b>40% Volatility</b>	<b>60% Volatility</b>	<b>80% Volatility</b>
3.17 cents	5.22 cents	7 cents

Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Options are granted would have an impact on their value.

- (v) Set out below are details of each of the Participating Directors' relevant interest in the securities of the Company as at the date of this Notice:

Director	Associates	Number of Shares	Number of 11/07/09 options (\$0.20)	Number of 31/01/11 options (\$0.20)	Number of 30/06/12 options (\$0.50)
Philip G Crabb (Note 1)	Held personally	176,378	35,275	-	-
	June Crabb	4,470	-	-	-
	Barcfin Pty Ltd	7,765	-	-	-
	Darkdale Pty Ltd	887,479	326,966	-	-
	Ioma Pty Ltd	5,954,003	2,567,873	1,000,000	1,000,000
	Midland Mines Pty Ltd	7,765	-	-	-
	Gemini Mining Pty Ltd	7,765	-	-	-
	Ragged Range Mining Pty Ltd	3,565,285	713,057	-	-
	Crabb Superannuation Fund	287,500	237,500	-	-
Frank DeMarte (Note 2)	Held personally	110,000	27,500	-	1,750,000
	The DeMarte Family Trust	509,851	127,463	1,000,000	-
	The DeMarte Super Fund	91,980	122,995	-	-
	Grandeur Holdings Pty Ltd	15,531	3,883	-	-
Brian D Richardson (Note 3)	Held personally	518,291	129,573	-	2,500,000
	Anne Richardson	216,500	104,125	1,000,000	-
Rick W Crabb (Note 4)	Held personally	693,570	532,500	-	-
	The Intermax Trust	482,228	192,891	1,000,000	750,000
	Westessa Holdings Pty Ltd	934,225	195,190	-	-
Malcolm J Randall (Note 5)	Renique Holdings Pty Ltd	294,593	85,675	800,000	750,000

**Notes:**

- 1: Philip G Crabb is a sole director of Ragged Range Mining Pty Ltd and holds 48% of the shares in that company. June Crabb is Mr Crabb's wife. Mr Crabb is a director of Ioma Pty Ltd, Darkdale Pty Ltd and Barcfin Pty Ltd and controls these companies. Mr Crabb is a director of Gemini Mining Pty Ltd and holds 99% of the shares in that company. Mr Crabb is a director of Midland Mines Pty Ltd and holds 2% of the shares in that company. Mr Crabb is a trustee for and a beneficiary of the Crabb Superannuation Fund.
- 2: Frank DeMarte is a director of Grandeur Holdings Pty Ltd and holds 50% of the shares in that company. Mr DeMarte is a trustee for and a beneficiary of the DeMarte Family Trust and the DeMarte Family Superannuation Fund.
- 3: Anne Richardson is Mr Richardson's Wife.
- 4: Rick W Crabb is a director of, and he and his wife, Carol Crabb, hold 100% of the shares in, Westessa Holdings Pty Ltd. Mr Crabb is a trustee for and a beneficiary of the Intermax Trust.
- 5: Renique Holdings Pty Ltd hold the Shares and options in the Company as trustee for the Randall Super Fund of which Malcolm J Randall and his wife, Carol Randall are beneficiaries.

- (vi) The following table gives details of the highest, lowest and latest price of the Shares trading on ASX over the past 12 months ending on 8 September 2008:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 16 September 2008
Ordinary Shares	47 cents	21/11/2007	17 cents	4 – 8/09/2008	14 cents

### **Other Information**

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs of detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to Resolutions 4 to 8.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed Resolutions.

### **Listing Rule 10.11**

Listing Rule 10.11 requires the approval of Shareholders by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires Shareholders to approve the grant of Options to the Participating Directors.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders:

- (a) the Options will be granted to Messrs Philip G Crabb, Frank DeMarte, Brian D Richardson, Rick W Crabb and Malcolm J Randall, who are all Directors, or their respective nominees;
- (b) the maximum number of Options to be granted to the Directors, or their respective nominees, is 3,000,000 (the table below sets out the number of Options to be granted to each of the Directors or his nominee);

Participating Director	Number of Options
Philip G Crabb	750,000
Frank DeMarte	750,000
Brian D Richardson	500,000
Rick W Crabb	500,000
Malcolm J Randall	500,000
<b>Total</b>	<b>3,000,000</b>

- (c) the Options will be granted on a date which will be no later than 1 month after the date of this Annual General Meeting or on such other date as approved by ASX;
- (d) the Options will be granted for no consideration;
- (e) no funds will be raised by the grant of the Options; and
- (f) the terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum.

If approval is given for the grant of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

## **RESOLUTION 9 – APPROVAL TO THE ISSUE OF SHARES**

Resolution 9 seeks Shareholder approval to the issue of up to 50,000,000 Shares at a minimum issue price which is at least 80% of the average market price of Shares trading on ASX over the last 5 days on which sales in the Shares were recorded before the day on which the issue was made (or if there is a prospectus relating to the issue, over the last 5 days on which sales in the Shares were recorded before the date of the prospectus). The Company proposes to issue the Shares to a number of sophisticated and/or professional investors yet to be determined by the Directors.

### ***Listing Rule 7.1***

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of a company's shares then on issue.

The Shares to be issued pursuant to Resolution 9 will exceed the 15% threshold . Accordingly, Shareholder approval under Listing Rule 7.1 is being sought.

### ***Additional Information***

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders:

- (a) the maximum number of Shares to be issued is 50,000,000 Shares;
- (b) the Company will allot and issue the Shares no later than three months after the date of the Meeting, or on such later date as approved by ASX. The Shares will be allotted on one date;
- (c) the Shares will be issued at a minimum issue price which is at least 80% of the average market price of Shares trading on ASX over the last 5 days on which sales in the Shares were recorded before the day on which the issue was made (or if there is a prospectus relating to the issue, over the last 5 days on which sales in the Shares were recorded before the date of the prospectus);
- (d) the Shares to be issued are fully paid ordinary shares which will rank equally with all other existing issued ordinary fully paid shares in the capital of the Company on issue;
- (e) the allottees of the Shares will be a number of sophisticated and/or professional investors yet to be determined by the Directors. None of the allottees will be related parties of the Company; and
- (f) the funds raised from the issue will be used for:
  - exploration and evaluation of iron ore projects in Australia;
  - evaluation of other iron ore projects in Australia;
  - evaluation of other uranium opportunities in the USA; and
  - working capital and administration expenses.

## **RESOLUTION 10 – EMPLOYEE SHARE OPTION PLAN**

The Directors considered that it was desirable to establish an option plan under which employees may be offered the opportunity to subscribe for options to acquire Shares in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees and accordingly adopted the Royal Resources Limited Employee Share Option Plan ("**Plan**") on 3 September 2008.

The Plan is designed to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances, the Directors consider that the incentives to employees are a cost effective and efficient incentive for the Company as opposed to

alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Shareholder approval is required if any grant of options pursuant to the Plan is to fall within the exception to the calculation of the 15% limit imposed by Listing Rule 7.1 on the number of securities which may be issued without Shareholder approval. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within three years of the date of issue.

Prior Shareholder approval will be required before any related party of the Company can participate in the Plan.

Under the Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of options as the Board may decide and on the terms set out in the rules of the Plan, a copy of which is contained in Annexure B of this Explanatory Memorandum. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

The Directors believe it is beneficial to obtain Shareholder approval under this Resolution for the purposes of Listing Rule 7.2, Exception 9(b) in order for the Board to be able to offer Options to eligible persons and retain the 15% placement capacity in Listing Rule 7.1 for capital raising purposes.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the rules of the Plan is attached as Annexure B to the Notice;
- (b) 5,170,000 options have previously been granted to employees under the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 10.

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

**GLOSSARY**

The following terms have the following meanings in the Notice and this Explanatory Memorandum:

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the board of Directors;

"**Business Day**" means any day that ASX declares is not a business day;

"**Company**" means Royal Resources Limited ABN 34 108 102 432;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Explanatory Memorandum**" means this Explanatory Memorandum accompanying the Notice;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Notice**" means the Notice of Annual General Meeting accompanying this Explanatory Memorandum;

"**Option**" means an option to acquire a Share, the terms and conditions of which are set out in Annexure A to the Explanatory Memorandum;

"**Participating Directors**" means Messrs Philip G Crabb, Frank DeMarte, Brian D Richardson, Rick W Crabb and Malcolm J Randall;

"**Resolution**" means a resolution proposed pursuant to the Notice;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means a holder of Shares; and

"**WDT**" means Australian Western Daylight Time.

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

**ANNEXURE A**

**TERMS AND CONDITIONS OF OPTIONS TO BE GRANTED TO PARTICIPATING  
DIRECTORS**

The terms and conditions of the Options are:

1. Each Option will be issued for no consideration.
2. Each Option has an exercise price of \$0.30.
3. Each Option entitles the option holder ("**Option holder**") to subscribe for and be allotted one fully paid ordinary share ("**Share**") in the capital of Royal Resources Limited ("**ROY**") at the exercise price for the Option.
4. The Options are exercisable at any time on or prior to 5.00 pm Western Standard Time on 30 November 2013 ("**Expiry Date**") by completing a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by him and delivering it to the registered office of ROY accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice must be received by the Company before the Expiry Date. An Option not exercised before the Expiry Date will lapse. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by him.
5. The Options are not assignable or transferable without the prior written consent of the directors of ROY and will not be listed on the Australian Securities Exchange ("**ASX**").
6. All Shares issued upon exercise of the Options will rank pari passu in all respects with ROY's then issued Shares. ROY will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
7. There are no participating rights or entitlements inherent in the Options and the Option holder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options unless the Options are first exercised in accordance with these terms and conditions. However, ROY must ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced and the Option holder will be notified of the proposed issue at least 9 business days before the record date. This will give the Option holder the opportunity to exercise its Options prior to the date for determining entitlements to participate in any such issue.
8. In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of ROY prior to the Expiry Date, the rights of the Option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
9. If there is a pro rata issue (except a bonus issue) to ROY shareholders, the exercise price of an Option will be reduced according to the following formula:

$$O^n = O - \frac{E [(P - (S + D))]}{N + 1}$$

Where:

$O^n$  = the new exercise price of the Option;

$O$  = the old exercise price of the Option;

$E$  = the number of underlying securities into which one Option is exercisable;

$P$  = the average market price of Shares (weighted by reference to volume) sold in the ordinary course of trading on ASX during the five trading days ending on the day before the ex rights date or the ex entitlements date;

$S$  = the subscription price for new Shares issued under the pro rata issue;

$D$  = any dividends due but not yet paid on the existing Shares (except those to be issued under the pro rata issue); and

$N$  = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

10. If there is a bonus issue to ROY shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
11. Shares allotted and issued pursuant to the exercise of the Options will be allotted and issued on the above terms and conditions not more than 14 days after the receipt of a properly executed Option Exercise Form and the exercise price in respect of the Option.

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

**ANNEXURE B**

**RULES OF EMPLOYEE SHARE OPTION PLAN**

**ROYAL RESOURCES LIMITED**  
**ACN 108 102 432**

**RULES OF EMPLOYEE SHARE OPTION PLAN**  
**(adopted by the Board on 3 September 2008)**

**1. NAME OF PLAN**

1.1 This Plan shall be called the Royal Resources Limited Employee Share Option Plan.

**2. ESTABLISHMENT AND TERMINATION OF THE PLAN**

2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.

2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

**3. PURPOSE OF PLAN**

3.1 The purpose of this Plan is to:

- (a) recognise the ongoing ability of the employees of the Company and their expected efforts and contribution in the long term to the performance and success of the Company; provide an incentive to the employees of the Company to remain in their employment in the long term;
- (b) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees; and
- (c) provide employees of the Company with the opportunity to acquire Options, and ultimately Shares, in the Company, in accordance with these Rules.

**4. OPERATION OF THE PLAN**

4.1 The Plan operates according to these Rules which bind the Company and each Participant.

4.2 The number of Shares to be received on exercise of the Options the subject of an offer under the Plan when aggregated with:

- (a) the number of Shares which would be issued were each outstanding offer or Option, being an offer made or Option acquired pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company, exercised; and
- (b) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company;

but disregarding any offer made, or Option acquired or Share issued by way of or as a result of:

- (c) an offer under the Plan to a person situated at the time of receipt of the Offer outside Australia; or
- (d) an offer under the Plan that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (e) an offer made under a disclosure document,

must not exceed 5% of the total number of issued Shares as at the time of the offer under the Plan.

## **5. ELIGIBILITY**

5.1 Subject to these Rules, the Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. Prior to making that determination, the Board must consider:

- (a) the seniority of the relevant Eligible Person and the position the Eligible Person occupies within the Company;
- (b) the length of service of the Eligible Person with the Company;
- (c) the record of employment of the Eligible Person with the Company;
- (d) the potential contribution of the Eligible Person to the growth of the Company;
- (e) the extent (if any) of the existing participation of the Eligible Person (or any Permitted Nominee in relation to that Eligible Person) in the Plan; and
- (f) any other matters which the Board considers relevant.

5.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

## **6. OFFER OF OPTIONS**

6.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Person at such times and on such terms as the Board considers appropriate. Each offer must state:

- (a) the name and address of the Eligible Person to whom the offer is made;
- (b) that the Eligible Person to whom the offer is addressed may accept the whole or any lesser number of Options offered;
- (c) the minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (d) the period within which the offer may be accepted, and the period or periods during which the Options or any of them may be exercised and the Expiry Date;
- (e) the method of calculation of the Exercise Price; and
- (f) any other matters which the Board may determine.

## **7. ACCEPTING OFFERS**

7.1 Upon receipt of an offer of Options, an Eligible Person may, within the period specified in the offer:

- (a) accept the whole or any lesser number of Options offered by giving to the Company an Application Form; or
- (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision.

7.2 Upon:

- (a) receipt of the Application Form referred to in paragraph 7.1(a); or
- (b) the Board resolving to allow a renunciation of an offer in favour of a nominee ("Permitted Nominee") and the Permitted Nominee accepting the whole or any lesser number of Options offered by giving the Company an Application Form,

then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be granted Options subject to these Rules.

7.3 If Options are issued to a Permitted Nominee or an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

7.4 On the issue of Options following receipt by the Company of an Application Form, an Eligible Person or the Permitted Nominee, as the case may be, becomes a Participant.

## **8. NO CONSIDERATION**

8.1 No consideration is payable by an Eligible Person for a grant of an Option, unless the Board decides otherwise.

## **9. CERTIFICATES**

9.1 The Company must give a Participant one or more Certificates stating:

- (a) the number of Options issued to the Participant;
- (b) the Exercise Price of those Options; and
- (c) the Issue Date of those Options.

9.2 The Certificates for the Options will be dispatched within 10 Business Days after the Issue Date.

## **10. QUOTATION**

10.1 The Company will not apply for Official Quotation of any Options.

10.2 If shares of the same class as those allotted pursuant to the exercise of Options granted under the Plan are listed on the ASX, the Company must apply for Official Quotation of those

Shares allotted pursuant to the exercise of Options within the time required by the Listing Rules after the date of allotment.

## **11. NOT TRANSFERABLE**

- 11.1 Subject to clauses 11.2 and 14.5, Options are not transferable.
- 11.2 Options may be transferred, by an instrument of transfer, in the following circumstances only:
- (a) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to Options;
  - (b) a transfer to a bidder on the sale of the Options under Division 3 of Part 6A.1 of the Corporations Act;
  - (c) a transfer to a 100% holder on the sale of the Options under Division 2 of Part 6A.2 of the Corporations Act;
  - (d) a transfer under Part 6A.3 of the Corporations Act to a person entitled to acquire the Options under section 661A or 664A of the Corporations Act; or
  - (e) a transfer approved by the Board in those circumstances as may be determined by the Board.

## **12. EXERCISE OF OPTIONS**

- 12.1 Subject to these Rules and the terms of the Options, Options may be exercised at any time during the period commencing on the Issue Date and ending on the Expiry Date.
- 12.2 Notwithstanding paragraph 12.1, all Options may be exercised:
- (a) during a Bid Period; or
  - (b) at any time after a Change of Control Event has occurred; or
  - (c) on an application under section 411 of the Corporations Act, if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
- 12.3 Options may only be exercised by the Participant giving notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and the Exercise Price for the Options specified in the notice and must be accompanied by:
- (a) the Certificate for those Options, for cancellation by the Company; and
  - (b) a cheque payable to the Company (or another form of payment acceptable to the Board) in the amount of the product of the number of Options then being exercised by the Participant and the Exercise Price.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount referred to in paragraph (b).

- 12.4 Subject to paragraph 14.1, within 10 Business Days after the notice referred to in clause 12.3 becoming effective, the Board must:
- (a) allot and issue the number of Shares to be issued in respect of the Options being exercised;
  - (b) cancel the Certificate for the Options being exercised; and
  - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.
- 12.5 The Board may, at its discretion, by notice to the Participant reduce, waive or vary (provided such variation is not adverse to the Participant) the Exercise Conditions attaching to Options in whole or in part at any time and in any particular case.

### **13. SHARES ALLOTTED ON EXERCISE OF OPTIONS**

- 13.1 All Shares allotted upon exercise of the Options rank *pari passu* in all respects with Shares previously issued and, in particular, entitle the holders of Shares to participate fully in:
- (a) dividends declared by the Company after the date of allotment; and
  - (b) all issues of securities made or offered *pro rata* to holders of Shares.

### **14. LAPSE OF OPTIONS**

- 14.1 Options not validly exercised on or before the Expiry Date will automatically lapse.
- 14.2 Unless otherwise determined by the Board, if any Options are granted subject to Exercise Conditions and, prior to satisfaction of the Exercise Conditions (such that the Options are not exercisable), an Eligible Person ceases to be an Eligible Person then:
- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, any such Options held by such Eligible Person, or if appropriate, his or her Permitted Nominee, will automatically lapse; and
  - (b) if the Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
    - (i) 3 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
    - (ii) such longer period as the Board determines,subject to the Board, in its absolute discretion, reducing, waiving or varying the Exercise Conditions applying to those Options in accordance with clause 12.5 so that those Options may be exercised. Options the subject of clause 14.2(b) not exercised within 3 months or the longer period determined by the Board, will automatically lapse.
- 14.3 Unless otherwise determined by the Board, if an Eligible Person ceases to be an Eligible Person at any time after an Option is or has become exercisable, then:

- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within :
  - (i) 1 month of ceasing to be an Eligible Person; or
  - (ii) such longer period as the Board determines,and any Options the subject of this clause not exercised within 1 month or the longer period determined by the Board, will automatically lapse; and
- (b) if an Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee is entitled to exercise any such Option at any time prior to its Expiry Date.

14.4 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

14.5 Subject to clause 14.2, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:

- (a) elect to be registered as the new Holder of the deceased Holder's Options;
- (b) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these Rules as if he were the Holder of them; and
- (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

## **15. PARTICIPATION RIGHTS, BONUS ISSUES, RIGHTS ISSUES, REORGANISATIONS OF CAPITAL AND WINDING UP**

### **15.1 New Issues**

- (a) Participants are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
  - (i) they have become entitled to exercise their Options under the Plan; and
  - (ii) they do so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of Shares.
- (b) The Company must give Participants, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

### **15.2 Bonus Issues**

If there is a bonus share issue ("Bonus Issue") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

### 15.3 Pro Rata Issues

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares during the currency of, and prior to the exercise of any Options, the Exercise Price of an Option will be adjusted in the manner provided for in the Listing Rules.

### 15.4 Reorganisation of Capital

If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, then the rights of a Participant (including the number of Options to which each Participant is entitled and the Exercise Price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

### 15.5 Winding Up

If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Participants of the proposed resolution. Subject to the Exercise Conditions, the Participants may, during the period referred to in the notice, exercise their Options.

### 15.6 Fractions of Shares

For the purpose of this clause 15, if Options are exercised simultaneously, then the Participant may aggregate the number of Shares or fractions of Shares for which the Participant is entitled to subscribe. Fractions in the aggregate number only will be disregarded in determining the total entitlement of a Participant.

### 15.7 Calculations and Adjustments

Any calculations or adjustments which are required to be made under this clause 15 will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and the Participant.

### 15.8 Notice of Change

The Company must within a reasonable period give to each Participant notice of any change under clause 15 to the Exercise Price of any Options held by the Participant or to the number of Shares which the Participant is entitled to subscribe for on exercise of an Option.

## **16. EXERCISE PRICE OF OPTIONS**

16.1 The method of calculation of the Exercise Price of each Option will be determined by the Board with regard to the Market Value of the Shares when it resolves to offer the Option.

## **17. AMENDMENTS TO THE RULES**

### 17.1 Board May Alter Rules

The Board may subject to the Listing Rules alter, delete or add to these Rules at any time (save for the provisions of clause 4).

### 17.2 Consent of Participants

If any amendment to be made under clause 17.1 would adversely affect the rights of Participants in respect of any Options then held by them, the Board must obtain the consent of Participants who between them hold not less than 75% of the total number of those Options held by all those Participants before making the amendment.

17.3 Eligible Persons Outside Australia

The Board may make any additions, variations or modifications to the Rules, in relation to the implementation of the Plan and the specific application of the Rules to Eligible Persons residing outside Australia.

**18. POWERS OF THE BOARD**

18.1 The Plan shall be administered by the Board who shall have the power to:

- (a) determine appropriate procedures and make regulations for the administration of the Plan which are consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) terminate or suspend the operation of the Plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of Participants holding Options at that time;
- (d) delegate those functions and powers it considers appropriate, for the efficient administration of the Plan, to any one or more persons whom the Board reasonably believes to be capable of performing those functions and exercising those powers, for such period and on such conditions as the Board may determine;
- (e) take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules;
- (f) administer the Plan in accordance with these Rules as and to the extent provided in these Rules; and
- (g) make regulations for the operation of the Plan consistent with these Rules.

**19. NOTICES**

19.1 Notices may be given by the Company to any Holder either personally or by sending by post to his or her address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices for any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or secretary of the Company. A notice of exercise given under clause 12.3 shall not be deemed to be served on the Company until actually received.

**20. NO COMPENSATION OR DAMAGES**

20.1 The rights and obligations of any Holder under the terms of his or her employment with the Company are not affected by his or her participation in the Plan.

20.2 These Rules do not form part of, and will not be incorporated into, any contract of engagement or employment between a Holder and the Company.

- 20.3 No Holder has any rights to compensation or damages as a result of the termination of his or her employment, so far as those rights arise or may arise from the Holder ceasing to have rights under the Plan as a result of the termination.
- 20.4 Participants do not, as Participants, have any right to attend or vote at general meetings of holders of Shares.

## 21. GOVERNING LAW

- 21.1 The Plan and any Options issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.
- 21.2 Each Participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia, the Commonwealth of Australia and courts entitled to hear appeals from those courts.

## 22. ADVICE

- 22.1 Eligible Persons should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to participation in the Plan.

## 23. DEFINITIONS AND INTERPRETATION

- 23.1 In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"**Application Form**" means a duly completed and executed application for the issue of Options made by an Eligible Person or Permitted Nominee in respect of an Offer, in the form approved by the Board from time to time;

"**ASX**" means Australian Stock Exchange Limited;

"**Bid Period**", in relation to a takeover bid in respect of shares in the Company, means the period referred to in the definition of that expression in section 9 of the Corporations Law provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement;

"**Board**" means the directors acting as the board of directors of the Company or a committee appointed by such board of directors;

"**Business Day**" means a day on which banks are open for business in Perth excluding a Saturday, Sunday or public holiday;

"**Certificate**" means the certificate issued in accordance with clause 9 by the Company to a Holder in respect of an Option;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board;

"**Company**" means Royal Resources Limited ACN 108 102 432;

"**Corporations Act**" means Corporations Act 2001 (Cth);

**"Director"** means a director of the Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

**"Eligible Person"** means at any time a person who then is an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company;

**"Exercise Condition"** means the performance, vesting or other conditions (if any) determined by the Board and specified in an Offer which are, subject to these Rules, required to be satisfied, reached or met before an Option can be exercised;

**"Exercise Price"** means, in respect of an Option, the subscription price per Share, determined in accordance with clause 16, payable by a Holder on exercise of the Option;

**"Expiry Date"** means, in relation to an Option, the date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time but in any event no longer than 5 years from the Issue Date;

**"Holder"** means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company's register of options as the holder of that Option;

**"Issue Date"** means, in relation to an Option, the date on which the Company grants that Option;

**"Legal Personal Representative"** means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

**"Listing Rules"** means the Official Listing Rules of ASX as they apply to the Company from time to time;

**"Market Value"** means, if the Company is admitted to the official list of ASX:

- (a) the weighted average closing sale price of the Shares recorded on the stock market of ASX over the five trading days immediately preceding the day on which the Board resolves to offer an Option; or
- (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX;

**"Offer"** means an invitation to an Eligible Person made by the Company under clause 6.1 to apply for an issue of Options;

**"Official Quotation"** has the meaning ascribed to it in the Listing Rules;

**"Option"** means an option issued under the Plan to subscribe for a Share;

**"Participant"** means a person who holds Options issued under the Plan and includes, if a Participant dies or becomes subject to a legal disability, the Legal Personal Representative of the Participant;

**"Permitted Nominee"** has the meaning given to it by clause 7.2;

**"Plan"** means the Royal Resources Limited Employee Share Option Plan established in accordance with these Rules;

**"Redundancy"** means, in relation to an Eligible Person, a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of the Company of his or her own accord);

**"Retirement"** means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age 60 or over or such earlier age as considered appropriate by the Board;

**"Rules"** means these rules, as amended from time to time;

**"Series"** means, in relation to Options, Options with a common Issue Date;

**"Shares"** means fully paid ordinary shares in the capital of the Company;

**"Specified Reason"** means Retirement, Total and Permanent Disablement, Redundancy or death;

**"Tax"** means any tax, levy, impost, GST, deduction, charge, rate, contribution, duty or withholding which is assessed (or deemed to be assessed), levied, imposed or made by any government or any governmental, semi-governmental or judicial entity or authority together with any interest, penalty, fine, charge, fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or in respect of any or all of the foregoing; and

**"Total and Permanent Disablement"** means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

23.2 In these Rules, unless a contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act has the same meaning where used in these Rules.

000001 000 ROY  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Lodge your vote:**



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

**For all enquiries call:**

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

**For your vote to be effective it must be received by 10.00am (WDT) Tuesday 25 November 2008**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.computershare.com](http://www.computershare.com).

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form →**



View the annual report:

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



**Access the annual report**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Royal Resources Limited hereby appoint

the Chairman of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Royal Resources Limited to be held at the Colonial Conference Room, The Melbourne, corner of Hay and Milligan Street, Perth, Western Australia on Thursday, 27 November 2008 at 10.00am (WDT) and at any adjournment of that meeting.

**Important for Items 4 and 10:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 4 and 10 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 4 and 10 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 4 and 10 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of the Items and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

## STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Item 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 9	Approval of the Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Re-election of Mr Frank DeMarte as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 10	Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Mr Brian D Richardson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Item 4	Approval to Grant Options to a Director - Mr Philip G Crabb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Item 5	Approval to Grant Options to a Director - Mr Frank DeMarte	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Item 6	Approval to Grant Options to a Director - Mr Brian D Richardson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Item 7	Approval to Grant Options to a Director - Mr Rick W Crabb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Item 8	Approval to Grant Options to a Director - Mr Malcolm J Randall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_