

ROYAL RESOURCES LIMITED
ACN 108 102 432

RENOUNCEABLE RIGHTS ISSUE PROSPECTUS

For a pro-rata renounceable rights issue of approximately 101,329,828 New Shares on the basis of 1 New Share for every 1 Share held on the Record Date of 22 October 2009 at an issue price of \$0.10 per New Share, together with approximately 33,776,609 free attaching New Options, each exercisable at \$0.10 on or before 31 October 2011 on the basis of 1 New Option for every 3 New Shares issued, to raise approximately \$10,132,983. If a New Option is exercised between 3 May 2010 and 31 May 2010 the New Option holder is entitled to receive a Secondary Option exercisable at \$0.12 on or before 31 October 2013.

LEAD MANAGER AND UNDERWRITER – PATERSONS SECURITIES LIMITED

The Rights Issue closes at 5.00pm WST on 12 November 2009.

IMPORTANT NOTICE

This Prospectus is dated 13 October 2009. This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.

Investment in securities offered by this Prospectus should be considered speculative.

CORPORATE DIRECTORY

DIRECTORS

Philip Crabb (Chairman)
Marcus Flis (Managing Director)
Frank DeMarte (Executive Director)
Brian Richardson (Non-Executive Director)
Malcolm Randall (Non-Executive Director)

SECRETARY

Frank DeMarte

REGISTERED OFFICE

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LEAD MANAGER AND UNDERWRITER

Patersons Securities Limited
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2 The Esplanade
PERTH WA 6000
Telephone: (08) 9263 1111
Facsimile: (08) 9325 5123
Email: patersons@psl.com.au
Website: www.psl.com.au

SOLICITORS TO THE RIGHTS ISSUE

Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

AUDITORS

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

SHARE REGISTRY

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

Telephone: 1300 557 010
Facsimile: (08) 9323 2033
Email: perth.services@computershare.com.au

ASX CODES

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Important Notes and Statements

This Prospectus is dated 13 October 2009. A copy of this Prospectus was lodged with the ASIC on that date. Neither the ASIC nor the ASX takes any responsibility for the contents of this Prospectus. No New Shares or free attaching New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. New Shares and free attaching New Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. The Company will apply for the New Shares and free attaching New Options offered pursuant to this Prospectus to be quoted on ASX. An application for New Shares and free attaching New Options will only be accepted on the Entitlement and Application Form or the Shortfall Application Form accompanying this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus will be issued as an Electronic Prospectus for use by the Underwriter and sub-underwriters in relation to the Shortfall. The Prospectus will be available on the Company's website at www.royalresources.com.au. The offer of New Shares and free attaching New Options comprising the Shortfall pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing to another person an Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. Prior to the closing date for the receipt of applications for Shortfall, any person may obtain a hard copy of this Prospectus by contacting the Company by email at info@royalresources.com.au or by telephone (08) 9322 8542.

Summary of Important Dates *

Announcement of Rights Issue	8 October 2009
Prospectus Lodged at ASIC and ASX	13 October 2009
Notice sent to shareholders containing information required by Appendix 3B	14 October 2009
"Ex" Date (date Shares are quoted ex-rights)	16 October 2009
Rights trading commences	16 October 2009
Record Date to determine Entitlements pursuant to Rights Issue	22 October 2009
Prospectus with Entitlement and Acceptance Form despatched	28 October 2009
Rights trading ends	5 November 2009
Shares and Options quoted on a deferred settlement basis	6 November 2009
Closing Date for acceptances and receipt of applications under the Rights Issue	12 November 2009
Notify ASX of under-subscriptions	17 November 2009
Despatch of holding statements	20 November 2009

**These dates are indicative only. The Directors reserve the right to vary the key dates, without prior notice and subject to compliance with the Listing Rules.*

Key Definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 6 of this Prospectus.

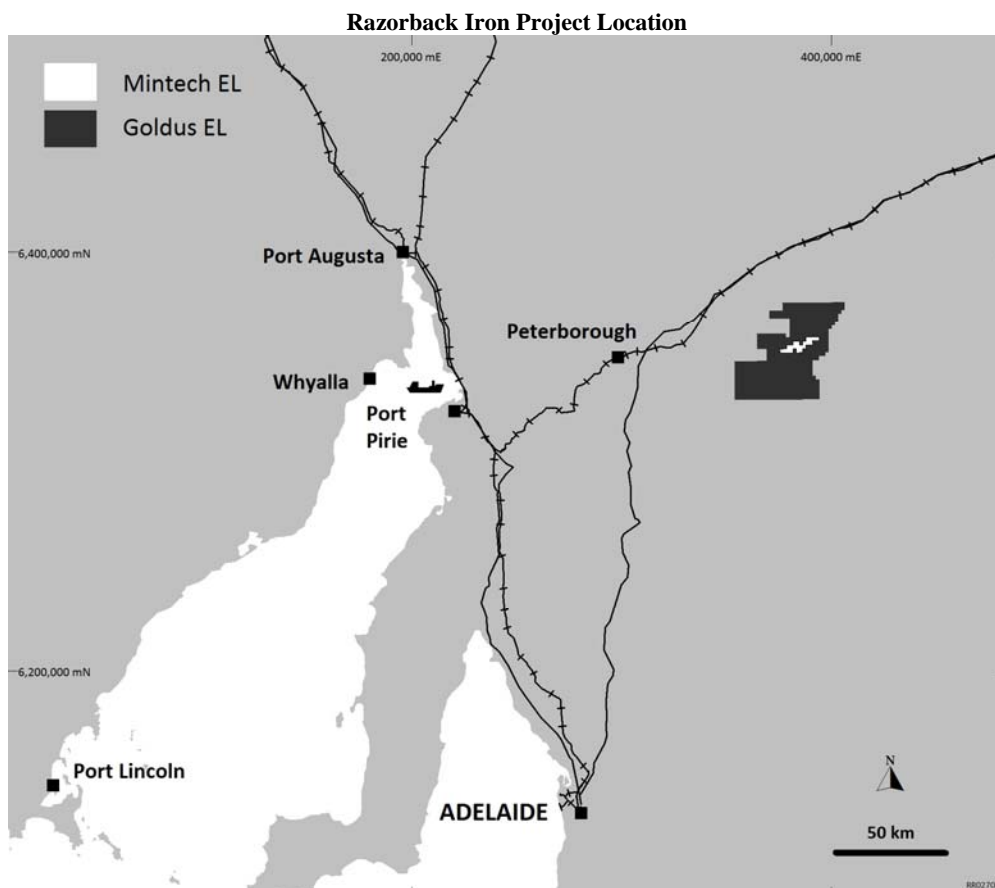
Section 1 THE RAZORBACK IRON PROJECT

The Razorback Iron Project ("**Project**") is a potentially large, beneficiable magnetite mineralisation that has access to open, under-utilised rail and port. The Project occurs approximately 40 kilometres to the south of the Broken Hill to Port Pirie section of the Indian-Pacific railway and 170 kilometres northeast from the open access port of Port Pirie. Electricity and gas are available at Peterborough, less than 80 kilometres from the project. This access to existing infrastructure is exceptional amongst magnetite projects in Australia, giving Razorback a unique opportunity for fast-track, cheap development.

Razorback Ridge was discovered and evaluated by the South Australian Government in the late 1960s. Drilling, adit development, and metallurgical testing at that time identified magnetite mineralisation that now constitutes an exploration target of 500Mt to 1,000Mt at 25% to 65% Fe. Royal Resources has entered into agreements to secure the lease over this mineralised area in addition to exploration rights to in excess of 1,450 square kilometres of surrounding leases containing over 100 strike kilometres of untested magnetite host rock that provides the Project with significant exploration upside.

Metallurgical testing undertaken in the late 1960s and updated in 2005 indicates the mineralisation can be beneficiated to a product with in excess of 65% Fe at a relatively coarse grind size of 106 μ m. Deleterious elements, such as alumina, phosphorous, and titanium are low, making the Razorback product attractive to end-user steel makers as a sweetener to Australia's generally high alumina, high phosphorous hematite iron ores.

The project also has the advantages of occurring in the resource-development supportive state of South Australia, attracts lower government royalties than in Western Australia, and has, in the opinion of the Directors, reduced Native Title and environmental risks. An initial near-zero stripping ratio and potentially excellent rock fragmentation ensures a low mining cost. Royal intends to fast track both resource development drilling and feasibility studies to bring Razorback into production in the shortest time possible.



As announced on 8 October 2009, Royal has entered into a Memorandum of Understanding (MOU) with Sin-Tang Development Pte Ltd to develop the Razorback Iron Project, agreements for the acquisition of which were announced on 16 September 2009. Royal will undertake initial resource assessment at Razorback.

The MOU envisages four phases:

- Phase I Within 2 days of execution of the MOU, Royal will issue to Sin-Tang 8,869,108 Shares at a price of 15 cents per share. Subject to shareholder approval, Sin-Tang will also receive:
- an additional 5,000,000 Shares at a price of 15 cents per share;
 - an additional 5,000,000 Shares at a price of 10 cents per share; and
 - 3,333,333 New Options with an exercise price of 10 cents each and an expiry date of 31 October 2011.

Upon execution of the MOU, the parties will commence negotiation of an agreement for an unincorporated joint venture in respect of the Razorback Iron Project between Sin-Tang and Royal. The proposed key terms of the joint venture ("JV") are set out as Phases II, III and IV as follows:

- Phase II On defining a minimum 250Mt of Inferred Resource, Sin-Tang will pay \$10 million into the JV to earn a 13.64% interest in the JV. The funds will be used by the JV towards the completion of a Pre-Feasibility Study and further resource definition drilling of the deposit.
- Phase III A \$20 million payment will be made by Sin-Tang to the JV once a Pre-Feasibility Study is delivered to earn an additional 18.18% interest in the JV. \$5 million of this will be used by the JV to pay FeRUS Pty Ltd under the consultancy agreement announced on 16 September 2009. The remaining funds will be used by the JV in connection with the completion of a Bankable Feasibility Study. Sin-Tang will have earned 31.82% of the JV.
- Phase IV A final \$20 million payment will be made by Sin-Tang to the JV on the delivery of a Bankable Feasibility Study to earn an additional 18.18% interest in the JV. These funds are to be used to pay the final A\$20 million consultancy fee to FeRUS. Sin-Tang will have earned 50% of the JV.

In addition, under the proposed JV Sin-Tang and Royal will use reasonable endeavours to secure debt funding for the other party on terms equivalent to those available to it.

Phases II, III and IV are conditional on:

- Sin-Tang being satisfied with the results of its due diligence investigations, which must be completed within 21 days of the date of the MOU;
- the parties reaching agreement on the terms of the joint venture contemplated by the MOU; and
- Royal completing the acquisition of the Razorback Iron Project as previously announced.

Key principles of the JV

The JV property comprises EL4267 and the right to explore for magnetite ore on EL3997. The JV also has the right to acquire EL3997 from Royal for \$10 million. If less than 1,250 million tonnes of inferred resources are definable on these two tenements, Royal has granted the JV the right to acquire additional magnetite ore contained within EL3927 from Royal to allow that minimum resource to be achieved. Royal will otherwise have exclusive access to EL3927 for iron ore exploration and development. Royal retains the right to all high-grade hematite, goethite or limonite ore on all properties.

Royal will be the manager of the JV.

Sin-Tang will have the right to cease its earn-in after each phase, however they will forfeit the right to progress further with its earn-in.

Upon Sin-Tang obtaining a 13.64% interest, the JV will establish a management committee under which Sin-Tang and Royal will each hold 50% of the voting rights on the committee unless Sin-Tang ceases its earn-in at the completion of a phase. In such a situation, voting rights will be proportional to

interest held. Royal anticipates that the detailed Joint Venture Agreement will be finalised and ready for execution by the parties in late November 2009.

About Sin-Tang Development Pte Ltd

Sin-Tang Development Pte Ltd is a special purpose Singapore based investment and trading company investing in upstream bulk commodity projects in the carbon steel sector. The company is supported by Tianjin Metallurgy Group Co. Ltd and Hebei Tangshan Ganglu Iron & Steel Corporation. These steel mills' combined production capacity is more than 9 million tonnes per year with an annual consumption of iron ore of over 12 million tonnes, 8 million tonnes of which are imported.

The company's major shareholders are:

- Mr Du Zhenzeng, Founder and Owner of Tangshan Ganglu Iron & Steel Co. Ltd, Hebei Province, China, currently producing 4 million tonnes of steel per annum, with expansion to 5 million tonnes per annum by end of 2009. Mr Du holds a 30% share in Sin-Tang.
- Mr Zhou LianMing, Founder and Owner of Hebei Xinquan Coking Co, currently operating a 1 million tonne delayed coking operation, with further expansion. Mr Zhou owns 25% of Sin-Tang.
- Mr Xie Yuzheng, a trader in Iron Ore with an annual trade of 7 million tonnes per annum. He is currently on the boards of Auvex Resources Ltd, a company producing manganese ore, and Jupiter Mines Ltd, an ASX listed company. Mr Xie owns 30% of Sin-Tang.

Sin-Tang currently has long-term iron ore supply contracts with Indian and Australian producers.

Competent Person's Statement: The details contained in this Section 1 that pertains to ore and mineralisation is based upon information compiled by Mr Marcus Flis, a full-time employee of the Royal Resources Limited. Mr Flis is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Flis consents to the inclusion in Section 1 of the matters based upon his information in the form and context in which it appears.

Section 2 DETAILS OF THE RIGHTS ISSUE

2.1 Rights Issue

This Prospectus invites Eligible Shareholders to participate in a pro-rata renounceable rights issue of approximately 101,329,828 New Shares on the basis of 1 New Share for every 1 Share held on the Record Date of 22 October 2009 at an issue price of \$0.10 per New Share, together with approximately 33,776,609 free attaching New Options, each exercisable at \$0.10 on or before 31 October 2011 on the basis of 1 New Option for every 3 New Shares issued, to raise approximately \$10,132,983. If a New Option is exercised between 3 May 2010 and 31 May 2010 the New Option holder is entitled to receive a Secondary Option exercisable at \$0.12 on or before 31 October 2013.

The Rights Issue will raise approximately \$10,132,983 (less expenses of the Rights Issue estimated to be \$647,000).

As at the date of this Prospectus, 101,329,828 Shares are on issue.

Existing holders of Options will not be entitled to participate in the Rights Issue. However, they may exercise their Options prior to the Record Date if they wish to participate in the Rights Issue.

As at the date of this Prospectus, the Company currently has on issue 24,070,000 Options with varying exercise prices and exercise dates (as set out in Section 3.2). The Company has also agreed to issue 5,000,000 Options pursuant to an agreement. Accordingly, in the event that these Options (including the 5,000,000 Options to be issued) are exercised prior to the Record Date, this Prospectus will also offer to those shareholders a further 29,070,000 New Shares and approximately 9,690,000 free attaching New Options to raise a further \$2,907,000 which will be subject to the Underwriting Agreement.

2.2 Underwriting

The Rights Issue is underwritten by Patersons Securities Limited. Pursuant to the Underwriting Agreement, the Company will pay Patersons Securities Limited a corporate advisory fee of \$50,000 and an underwriting fee equal to 5% of the total amount underwritten under the Rights Issue. A summary of the material terms of the Underwriting Agreement including rights of termination are set out in Section 5.7.

2.3 Rights Trading

Entitlements to New Shares and free attaching New Options pursuant to the Rights Issue are renounceable. This enables shareholders who do not wish to subscribe for some or all of the New Shares and free attaching New Options under this Rights Issue to sell their respective Rights and also enables shareholders to purchase additional Rights if they wish.

Rights trading commences on ASX on 16 October 2009 and will cease trading on 5 November 2009.

2.4 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances at 9.00am WST on 28 October 2009 and will close at 5.00pm WST on 12 November 2009 (except where payment is via BPAY® in which case payment must be made by no later than 4.00pm WST on 12 November 2009 or such earlier cut off time that your own financial institution may implement with regard to electronic payments) or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date.

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2.5 Brokerage and Commission

No brokerage or stamp duty will be payable by shareholders.

2.6 Entitlements and Acceptance

The number of New Shares and free attaching New Options to which you are entitled ("Entitlement" or "Rights") is shown in the accompanying Entitlement and Acceptance Form.

In determining Entitlements, any fractional entitlement will be rounded down to the nearest whole number.

Acceptance of Entitlement in Full

If you wish to take up **all** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions on that form. Applications must not exceed your Entitlement as shown on the Entitlement and Acceptance Form. Applications exceeding your Entitlement will be deemed to be for your maximum Entitlement and any surplus subscription funds will be returned, without interest.

Partial Acceptance of Entitlement

If you wish to take up **part** of your Entitlement and sell the balance on the ASX, please follow the instructions set out on the reverse of the Entitlement and Acceptance Form under the section marked "**Sale of your Entitlement in part and acceptance of the balance**" and then liaise accordingly with your stockbroker.

Rights trading commences on 16 October 2009. You must deal with that part of your Entitlement which you do not intend to accept by close of trading on the ASX on 5 November 2009, when Rights trading ceases.

Acceptance of Terms

All applications for New Shares and free attaching New Options must be made on the Entitlement and Acceptance Form. Any application will be treated as an offer from the applicant to acquire New Shares and free attaching New Options on the terms and conditions set out in the Prospectus. The Directors reserve the right to reject any applications for New Shares and free attaching New Options.

Please ensure the completed Entitlement and Acceptance Form and your cheque are received by the Company's Share Registry at:

By Delivery:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

By Post:

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

not later than 5.00pm WST on 12 November 2009 or such later date as the Directors advise. Cheques should be made payable to "**Royal Resources Limited – Share Issue Account**" and crossed "Not Negotiable". If paying via BPAY, applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

Sale of all your Entitlement on ASX

If you wish to sell all of your Entitlement on the ASX, please follow the instructions set out on the reverse of the Entitlement and Acceptance Form under the section marked "**Sale of your Entitlement in full by your Stockbroker/Agent**".

Rights trading commences on 16 October 2009. You must deal with that part of your Entitlement which you do not intend to accept by close of trading on the ASX on 5 November 2009, when Rights trading ceases.

Transfer of Entitlement Other Than on Market Using ASX

If you wish to transfer all or part of your Entitlement to another person or party other than on market using the ASX, then you must forward the following:

- a completed standard renunciation form (obtainable from your stockbroker or the Company's share registry);
- Entitlement and Acceptance Form completed by the transferee; and
- transferee's cheque for the amount due in respect of the New Shares and free attaching New Options to the Company's Share Registry at:

By Delivery:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

By Post:

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

not later than 5.00pm WST on 12 November 2009 or such later date as the Directors advise. Cheques should be made payable to "**Royal Resources Limited – Share Issue Account**" and crossed "Not Negotiable".

Taxation Implications

Shareholders should obtain independent advice on the taxation implications arising out of their participation in the Rights Issue.

Enquiries

If you have any queries regarding your Entitlement, please contact Computershare Investor Services Pty Limited by telephone on 1300 557 010 or your stockbroker or professional adviser.

Please note if you do not accept or sell your Entitlement in accordance with the instructions set out above, any Entitlement not accepted or sold will form part of the Shortfall.

2.7 Shortfall Securities

If you decide not to accept all or part of your Entitlement pursuant to the Rights Issue, you are not required to take any action. The New Shares and free attaching New Options not accepted will form part of the Shortfall and will be dealt in accordance with the Underwriting Agreement. In these circumstances, you will receive no benefit. Accordingly, it is important that you take action to either accept or renounce your Entitlement in accordance with the above instructions.

The Directors reserve the right to separately place any New Shares and free attaching New Options which are not placed in accordance with the provisions of the Underwriting Agreement, within 3 months after the Closing Date. Those New Shares will be issued at the same issue price as offered to Eligible Shareholders under the Rights Issue and free attaching New Options will be granted on the same basis as under the Rights Issue.

The offer of any Shortfall is a separate offer made pursuant to this Prospectus and will remain open for up to three (3) months following the Closing Date.

2.8 Secondary Options

Any Secondary Options issued upon exercise of the New Options will not be issued to holders of New Options until such time as the Company has prepared a disclosure document for the purposes of

complying with the technical requirements of the Corporations Act in respect of the grant of these subsequent Secondary Options.

For clarity, the Secondary Options issued upon exercise of the New Options will not be able to be transferred or exercised until such time as they are issued.

2.9 Withdrawal of Rights Issue

The Company, in consultation with the Underwriter, reserves the right not to proceed with the Rights Issue at any time before the issue of the New Shares (and free attaching New Options) to Eligible Shareholders. If the Rights Issue does not proceed, the Company will return all application monies as soon as practicable after giving notice of its withdrawal, without interest.

2.10 Issue and Allotment of New Shares and free attaching New Options

The New Shares and free attaching New Options are expected to be issued and allotted by no later than 20 November 2009. Until issue and allotment of the New Shares and free attaching New Options under this Prospectus, application monies will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the application monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares and the free attaching New Options takes place.

2.11 ASX Listing

The Company will make application to ASX within 7 days following the date of this Prospectus for official quotation of the New Shares and free attaching New Options to be offered pursuant to this Prospectus.

If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares and free attaching New Options and will repay all application monies (where applicable) as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Shares and the free attaching New Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares and free attaching New Options now offered for subscription.

2.12 No Issue of New Shares and free attaching New Options after 13 Months

No New Shares or New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

2.13 Overseas Investors

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Eligible Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Eligible Shareholders registered outside of Australia and New Zealand;
- (b) the number and value of the securities to be offered to Eligible Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under the Prospectus to Eligible Shareholders registered outside of Australia and New Zealand ("**Excluded Shareholders**").

The Company has appointed the Underwriter, on normal commercial terms, as nominee for the Excluded Shareholders to arrange the sale of the Rights which would have been offered to the Excluded Shareholders. The Company will transfer the Rights of the Excluded Shareholders to the nominee who

will account to those Excluded Shareholders for the net proceeds of the sale of the Rights (if any). The nominee will have the absolute and sole discretion to determine the timing and the price at which the Rights may be sold and the manner of any such sale. Neither the Company nor the nominee will be subject to any liability for failure to sell the Rights or to sell them at a particular price.

If, in the reasonable opinion of the nominee, there is not a viable market for the Rights or a surplus over the expenses of sale cannot be obtained for the Rights that would have been offered to the Excluded Shareholders, then the Rights will be allowed to lapse and they will form part of the Shortfall.

2.14 Market Prices of Shares and Options on ASX

The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.44 on 9 October 2009 and \$0.065 on 23 July 2009. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was \$0.365 on 12 October 2009.

2.15 Purpose of the Rights Issue and Use of Funds

After payment of the costs of the Offer, the funds raised will be applied towards the following:

- (a) payment of \$4.75 million tranche to Mintech Resources Pty Limited to complete the acquisition of the Razorback Iron Project as announced to the ASX on 16 September 2009;
- (b) undertake geological mapping, geophysical surveying, surface sampling and resource definition drilling to achieve a JORC-compliant Inferred Resource at the Razorback Iron Project within two years; and
- (c) administration and working capital of the Company.

The application of the \$10,132,983 raised under the Rights Issue is summarised as follows:

Use of Funds	Amount (\$)
Expenses of the Rights Issue	647,000
Payment to Mintech Resources Pty Limited ¹	4,750,000
Undertake geological mapping, geophysical surveying, surface sampling and resource definition drilling to achieve a JORC-compliant Inferred Resources at the Razorback Iron Project	4,500,000
Administration costs/working capital	235,983
Total	\$10,132,983

Any surplus and existing cash that is raised from subsequent issues of securities to Sin-Tang pursuant to the Memorandum of Understanding summarised in Section 5.7 will be used for exploration and evaluation of the Company's existing projects in the USA and Australia and for administration and working capital purposes.

Note:

- (1) Refer to the summary of the Share Sale Agreement in Section 5.7.

Section 3 EFFECT OF THE RIGHTS ISSUE ON THE COMPANY

3.1 Principal Effects

The principal effects on the Company of the Rights Issue are as follows:

- (a) the Company will issue 101,329,828 New Shares (excluding any Shares that may be the result of any Options that are exercised prior to the Record Date), and the total number of Shares on issue will increase to 202,659,656. The New Shares will constitute 50% of the expanded issued Share capital of 202,659,656 Shares. When aggregated with the number of Options previously issued by the Company, the total percentage of Shares in the Company the subject of this Rights Issue will constitute approximately 43.7% of the expanded issued capital of the Company on a fully diluted basis;
- (b) the Company will issue 33,776,609 free attaching New Options (excluding New Options with respect to any Shares that may be the result of any Options that are exercised prior to the Record Date), and the total number of Options on issue will increase to 62,846,609. If a free attaching New Option is exercised such that a Secondary Option is also issued, then the total number of Options on issue will remain at 62,846,609.
- (c) the Rights Issue will also increase the Company's cash reserves by \$10,132,983 (before expenses of the Rights Issue) to enable the Company to pursue its objectives; and
- (d) the equity of Excluded Shareholders who do not participate in the Rights Issue will be diluted as is evidenced from the information disclosed above.

3.2 Capital Structure on Completion of the Rights Issue

The pro-forma capital structure of the Company following the Rights Issue pursuant to this Prospectus is set out below:

Shares	Number
Existing Shares ¹	101,329,828
Maximum number of New Shares to be issued pursuant to this Prospectus (assuming no existing Options are exercised)	101,329,828
Total Shares on issue after this Rights Issue	202,659,656

Note:

- (1) Refer to the summary of the Memorandum of Understanding in Section 5.7. Note also that the Company, pursuant to the Memorandum of Understanding, will seek shareholder approval for the issue of the following additional securities to Sin-Tang:
 - a. 5,000,000 Shares to Sin-Tang at an issue price of \$0.15 each;
 - b. up to 5,000,000 Shares at an issue price of \$0.15 each (subject to Sin-Tang taking up its full entitlement under the Rights Issue); and
 - c. up to 3,333,332 free attaching New Options exercisable at \$0.10 each on or before 31 October 2011 each (subject to Sin-Tang taking up its full entitlement under the Rights Issue).

Options	Number
Unquoted Options exercisable at 20 cents each on or before 31 January 2011	4,800,000
Unquoted Options exercisable at 34 cents each on or before 10 January 2011	250,000
Unquoted Options exercisable at 50 cents each on or before 15 January 2011	1,350,000
Unquoted Options exercisable at 20 cents each on or before 9 March 2010	500,000
Unquoted Options exercisable at 40 cents each on or before 9 March 2010	500,000
Unquoted Options exercisable at 25 cents each on or before 6 April 2011	1,500,000
Unquoted Options exercisable at 30 cents each on or before 6 April 2012	1,500,000
Unquoted Options exercisable at 50 cents each on or before 6 April 2013	1,500,000
Unquoted Options exercisable at 34 cents each on or before 30 June 2011	420,000
Unquoted Options exercisable at 30 cents each on or before 30 November 2013	3,000,000
Unquoted Options exercisable at 8 cents each on or before 31 December 2011	100,000
Unquoted Options exercisable at 8 cents each on or before 30 April 2013	1,900,000
Unquoted Options exercisable at 50 cents each on or before 30 June 2012	6,750,000
Unquoted Options exercisable at 10 cents each on or before 1 November 2011 ¹	5,000,000
Maximum number of New Options to be issued pursuant to this Prospectus (assuming no existing Options are exercised)	33,776,609
Total Options on issue after this Rights Issue	62,846,609

Note:

- (1) These Options have not been issued as at the date of this Prospectus.

3.3 Pro-forma Balance Sheet

Set out as follows is a pro-forma balance sheet of the Company after the completion of the Rights Issue prepared on the basis of the audited accounts of the Company as at 30 June 2009, and adjusted for the following transactions and assumptions:

- (1) the proceeds of the Offer of \$10,132,983;
- (2) the estimated expenses of the Offer of \$647,000;
- (3) no existing Options are exercised prior to the Record Date; and
- (4) no account is taken of any transactions between 30 June 2009 and the date of this Prospectus. The Pro Forma reflects only the transactions the subject of this Prospectus.

	Pro-forma Balance Sheet Reflecting Rights Issue Consolidated Audited 30 June 2009 \$	Pro-Forma Unaudited 30 June 2009 \$
ASSETS		
Current Assets		
Cash and cash equivalents	2,583,802	13,389,875
Trade and other receivables	16,604	16,604
TOTAL CURRENT ASSETS	2,600,406	13,406,479
Non current assets		
Other receivables	706,721	706,721
Other financial assets	1,731,900	1,731,900
Property, plant and equipment	264,201	264,201
Capitalised exploration expenditure	2,056,917	2,056,917
Intangible assets	28,073	28,073
Total Non Current Assets	4,787,812	4,787,812
TOTAL ASSETS	7,388,218	18,194,291
LIABILITIES		
Current Liabilities		
Trade and Other Payables	99,271	99,271
Income tax payable	39,662	39,662
Total Current Liabilities	138,933	138,933
TOTAL LIABILITIES	138,933	138,933
NET ASSETS	7,249,285	18,055,358
EQUITY		
Contributed Equity	15,709,716	26,515,789
Reserves	5,628,520	5,628,520
Accumulated losses	(14,088,951)	14,088,951
TOTAL EQUITY	7,249,285	18,055,358

Section 4 RISK FACTORS

4.1 Introduction

This Section identifies the areas the Directors regard as the major risks associated with an investment in the Company. Shareholders should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Shareholders should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for New Shares and free attaching New Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the exploration and mining industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company.

The following summary, which is not exhaustive, represents some of the major risk factors of which potential investors need to be aware.

4.2 General Risk Factors

(a) Sovereign Risk

The Company's operations in the United States of America or any other country in which the Company has an economic interest are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, high rates of inflation, labour unrest, renegotiation or nullification of existing concessions, licences, permits and contracts, changes in taxation policies, restriction on foreign exchange, changing political conditions, currency controls and governmental regulations.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on the Company's operations.

(b) Approval Risk for Uranium Exploration and Mining

Uranium mining is subject to regulation by governments in relation to exploration, development, production, export taxes, royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radiological substances and other matters. The cost of compliance with such laws and regulations may ultimately increase the cost of exploring, drilling, developing, constructing, operating and closing mines and other production facilities. These approvals are more rigorous than for mining of other mineral commodities. There is a risk if economic deposits of uranium are discovered, the government approvals and licences required to mine and export the deposit may not be granted, or may be significantly delayed or make mining of the deposit uneconomic.

(c) General Exploration and Mining Risks

The future viability and profitability of the Company as an exploration and mining company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates;
- risks inherent in exploration and mining including, among other things, successful exploration and identification of ore reserves, satisfactory performance of mining operations and competent management;
- risks associated with obtaining grant of any mining tenements which are applications or renewal of tenements upon expiry of their current term;
- risks arising because of native title and aboriginal land rights which may affect the Company's ability to gain access to prospective exploration areas to obtain production titles. Compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by the Company. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company;
- the risk of material adverse changes in the government policies or legislation of Australia affecting the level of mining and exploration activities;
- heritage and environmental management issues with which the Company may be required to comply from time to time;
- poor weather conditions over a prolonged period which might adversely affect mining and exploration activities and the timing of earning revenues;
- unforeseen major failures, breakdowns or repairs required to key items of mining plant and equipment or mine structure resulting in significant delays, notwithstanding regular programs of repair, maintenance and upkeep;
- ability to source and contract drilling rigs and other key items of mining plant and equipment or mine structure resulting in delays and costs of such delays which will impact the timing of the Company's exploration programs and impact the Company's budget; and
- industrial disputation in Australia and overseas.

(d) Risks Regarding Exploration, Mining and Contracting Parties

Mining and exploration are high risk endeavours with the potential for high returns.

Exploration for iron ore is costly and involves exacting techniques which must be applied over extended periods of time. Most of the Company's projects are at an exploration stage and the Company cannot foresee whether the planned exploration program will generate positive results. Furthermore, there is no guarantee that the Company's exploration activities will succeed in the discovery of a commercially viable ore deposit.

Mining risks include the uncertainties associated with projected continuity of an ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems.

The cost of maintaining exploration and mining properties, which depends on the Company having access to sufficient development capital, poses another form of risk.

If exploration or mining program prove to be unsuccessful, this could result in a diminution of the value of the tenements which could have a negative impact on the Company's share price. In the event that program yield negative results, tenements may be relinquished either in total or in part thereof and/or the Company may withdraw from a joint venture or not exercise its option to acquire equity, even though a viable mineral deposit may be present, but undiscovered.

The Company may also be exposed to risks associated with the financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party. The Company may also be exposed to risks associated with the insolvency or other managerial failure by any of the contractors used by the Company in its activities.

(e) Native Title and Land Access

The Native Title Act 1993 (Commonwealth) may affect the Company's ability to gain access to prospective exploration areas or obtain production titles in Australia. Compensatory obligations may be necessary in settling native title claims lodged over the Company's tenements.

(f) Tenement/Claim Title

Certain of the tenements/claims referred to in this Prospectus are applications awaiting grant and are not granted licences or claims. There is a risk that these applications will not be granted. In addition, some of the claims staked on behalf of the Company in the US with respect to parts of the Egnar project and the Tallahassee Creek project are the subject of competing claims by third parties that may conflict with the Company's claims. There can be no guarantee that any conflict will be resolved in the Company's favour.

In addition, continuing title to tenements/claims is conditional on the Company meeting the requirements under which the tenement/claim title is granted and failure to meet those requirements places the Company's on-going rights to that title and therefore the tenement/claim at risk.

(g) Aboriginal Sites of Significance

Commonwealth and State Legislation in Australia allow for the protection of sites of significance to Aboriginal custom and tradition. The Company proposes to carry out "clearance surveys" prior to conducting any exploration work that would cause a disturbance to the land surface. The Company's Australian tenements are likely to contain some such sites of significance which would need to be avoided when carrying out field programs. It is possible that such areas where sacred sites exist may contain mineralisation or an economic resource which would therefore remain unexploited.

(h) Environmental Risk

The Company's projects are subject to Australian laws and regulations regarding environmental matters, which means there are potential liability risks. The Company proposes to operate fully in accordance with applicable laws and conduct its programmes in a responsible manner with regard to the environment.

(i) Development Capital and Future Funding

Exploration and mining costs will reduce the cash reserves of the Company, which may not be replaced through the Company's proposed mining operations, should these prove unsuccessful or perform below the expected acceptable base levels. The Company would then be dependent on seeking development capital elsewhere, through equity, debt or joint venture financing, to support long term exploration and evaluation of its projects.

(j) Sharemarket Conditions

The price of the Company's Shares and Options, when quoted on the ASX, will be influenced by international and domestic factors. Should these produce a negative effect on the Share and Option price, this may also affect the Company's ability to raise development capital.

(k) Commodity Price and Demand, and Exchange Rates

The demand for, and price of commodities is highly dependant on a variety of factors, including the international supply and demand of the commodities, actions taken by governments, global economic and political developments and exchange rates.

(l) General Economic Factors and Investment Risks

General economic conditions in Australia and its major trading partners may affect inflation and interest rates, which in turn may impact upon the Company's operating costs and financing. Other factors that may adversely affect the Company's activities in Australia or overseas include changes in government policies, natural disasters, industrial disputes, social unrest or war on a local or global scale and the strength of the equity and share markets in Australia and throughout the world.

(m) Razorback Project

Conditionality of Share Sale Agreement

The Share Sale Agreement is conditional upon a number of factors, as set out in the summary in Section 5.7 of this Prospectus. If these conditions are not satisfied or waived by the Company by 4 December 2009, the Company may elect to terminate the Share Sale Agreement in which case the Company will not acquire the shares in Mintech (the Company which holds the Tenement).

Conditionality of Option Deed

The Option Deed is conditional upon the purchase of 100% of the shares in Mintech by the Company under the Share Sale Agreement occurring, as set out in the summary in Section 5.7 of this Prospectus. If this condition is not satisfied within six months from the date that the Option Deed is executed, either party may terminate the Option Deed, in which case the Company will not acquire the right to explore for iron ore on, or the option to acquire, EL3927 and EL3997.

Memorandum of Understanding

Sin-Tang has three weeks from the date of execution of the MOU (being 2 October 2009) to carry out due diligence, during which time Sin-Tang may terminate the MOU if it is not satisfied with the results of its due diligence investigations. If Sin-Tang terminates the MOU, Sin-Tang will retain its initial placement in the Company but will not be obliged to sub-underwrite up to \$5 million worth of shares issued by the Company as part of the rights issue ("**Underwritten Amount**") and will no longer fund or earn in to any portion of the Razorback Iron Project.

In connection with the Rights Issue, Sin-Tang must subscribe for its full entitlement to the Company shares ("**Sin-Tang Allocation**"). If Sin-Tang's shareholding in the Company will exceed 20%, then Sin-Tang's obligation to subscribe for the Underwritten Amount and the Sin-Tang Allocation will be deferred unless and until the approval of the Company's shareholders is obtained in regards to the shareholding above 20%. There is a risk that such shareholder approval will not be obtained, in which case Sin-Tang will not be obliged to subscribe for any shares in the Company that exceed a 20% shareholding.

Although the MOU contains an obligation on the parties to commence negotiation of a joint venture agreement ("**JVA**") between Sin-Tang and Mintech, neither party is obliged to enter

into the JVA if an agreement cannot be reached on terms acceptable to that party or if any of the other conditions are not satisfied. If a JVA is not entered into, Sin-Tang will not earn into the Razorback Iron Project and will not be obliged to fund any aspect of the Razorback Iron Project.

4.3 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and free attaching New Options offered under this Prospectus.

Therefore, the New Shares and free attaching New Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares and free attaching New Options.

Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to take up their Entitlement.

Section 5 ADDITIONAL INFORMATION

5.1 Legal Framework of this Prospectus

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

5.2 Applicability of Corporations Act

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure ("ED") securities or options to acquire securities which are quoted as ED securities and the securities are in a class of securities or underlie a class of securities that were quoted ED securities at all times in the 3 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

The New Shares and free attaching New Options to be issued under this Prospectus are in respect of a class of Shares that were continuously quoted securities at all times in the 3 months before the issue of this Prospectus.

5.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any shareholder who so requests during the application period under this Prospectus:

- (a) the Annual Financial Report of the Company for the year ending 30 June 2009; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement on 18 September 2009 of the Annual Financial Report of the Company for the year ending 30 June 2009 and before the issue of this Prospectus:

Date	Description of Announcement
13 October 2009	Appendix 3B – New Issue of Shares
8 October 2009	Landmark MOU Signed for Iron Ore JV Revised
8 October 2009	Landmark MOU Signed for Iron Ore JV
8 October 2009	Renounceable Rights Issue
6 October 2009	Trading Halt
29 September 2009	Competent Person Statement
29 September 2009	Razorback Investor Presentation

5.4 Rights Attaching to New Shares

The New Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company. Full details of the rights attaching to the Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the rights which attach to the Company's existing Shares:

(a) Shares

The issue of shares in the capital of the Company and the options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act and Listing Rules.

(b) Voting

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairman of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

(c) Dividends

Dividends are payable out of the Company's profits and are declared by the Directors.

(d) Transfer of Shares

A shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of shares, other than a proper market transfer, where permitted by the Listing Rules or the ASTC Settlement Rules. The Company must not refuse to register or give effect to or delay or in any way interfere with a proper ASTC transfer of shares or other securities.

(e) Meetings and Notice

Each shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

(f) Liquidation Rights

The Company has only issued one class of shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

(g) Shareholder Liability

As the shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(h) Alteration to the Constitution

The constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days written notice (specifying the intention to propose the resolution as a special resolution) must be given.

5.5 Rights Attaching to New Options

The terms and conditions of the New Options are as follows:

1. Subject to these terms and conditions, each New Option will entitle the holder ("**Optionholder**") to subscribe for one Share at an issue price of A\$0.10 each ("**Exercise Price**").
2. The New Options will expire on 31 October 2011 ("**Expiry Date**").
3. The Company will apply for quotation of the Shares allotted pursuant to the exercise of the New Options within the time required by the Listing Rules after the date of allotment.
4. Subject to clause 6 and 13, in order to exercise the New Options, the Optionholder must, no later than the close of business (Western Australian time) on the Expiry Date give written notice to the Company of his or her intention to exercise the New Options in whole or in part, such notice to be accompanied by cash or certified cheque, payable to the Company in the appropriate amount. After receipt of such notice, the Company will forthwith allot and issue the required number of Shares, unless the New Options are exercised pursuant to clause 13, in which case the issue of the shares will be in accordance with that clause. If the Optionholder is entitled to receive any Secondary Options pursuant to clause 13, the issue of such Secondary Options shall be in accordance with that clause. The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).
5. Options not exercised on or before the Expiry Date will automatically lapse.
6. Where the New Options are exercised in part, they must be exercised in multiples of 10,000 on each occasion. If the holder of New Options holds less than 10,000 New Options, the New Options must be exercised in whole if exercised.
7. In the event of any re-organisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of the Optionholder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.
8. In the event that the Company shall amalgamate, consolidate with, or merge into another corporation, the Optionholder will thereafter receive, upon the exercise of the options, the securities or property to which a holder of the number of Shares then deliverable upon the exercise of the within options would have been entitled to upon such amalgamation, consolidation, or merger and the Company will take steps in connection with such amalgamation, consolidation or merger as may be necessary to ensure that the provisions hereof shall thereafter be applicable, as near as reasonably may be, in relation to any securities or property thereafter deliverable upon the exercise of the New Options. A sale of all or substantially all of the assets of the Company for a consideration (apart from the assumption of obligations) a substantial portion of which consists of securities shall be deemed a consolidation, amalgamation or merger for the purposes hereof.

9. The Optionholder has no right or entitlement to participate in any new issues of capital which may be made or offered by the Company to its members from time to time prior to the Expiry Date unless the options herein granted is exercised.
10. If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which a New Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the New Option has been exercised before the date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of 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.
11. 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 New Options, the Exercise Price of a New Option will be dealt with in the manner provided for in the Listing Rules of ASX.
12. The Option may be assigned by the Optionholder at any time prior to the Expiry Date.
13. Optionholders whose details appear on the Company's register of optionholders as at the record date of 23 April 2010 and who exercises a New Option in accordance with clause 4, between 3 May 2010 and 31 May 2010 shall, in addition to being issued one Share, be issued one Secondary Option (the terms and conditions of which are set out in Section 0). Shares issued on the exercise of New Options in accordance with this clause will be issued not more than 6 business days after 31 May 2010. Secondary Options shall not be issued until such time as the Company has prepared a disclosure document for the purposes of complying with the technical requirements of the Corporations Act in respect of the grant of these Secondary Options. Subject to meeting the listing requirements of the Listing Rules, the Company shall apply for quotation of the Secondary Options so issued.

5.6 Rights Attaching to Secondary Options

The terms and conditions of the Secondary Options are as follows:

1. Subject to these terms and conditions, each Secondary Option will entitle the holder ("**Optionholder**") to subscribe for one fully paid ordinary Share at an issue price of A\$0.12 each ("**Exercise Price**").
2. The Secondary Options will expire on 31 October 2013 ("**Expiry Date**").
3. Subject to meeting the listing requirements of the Listing Rules, the Company will apply for quotation of the Secondary Options and Shares allotted pursuant to the exercise of the Secondary Options within the time required by the Listing Rules after the date of allotment.
4. In order to exercise the Secondary Options, the Optionholder must, no later than the close of business (Western Australian time) on the Expiry Date give written notice to the Company of his or her intention to exercise the Secondary Options in whole or in part, such notice to be accompanied by cash or certified cheque, payable to the Company in the appropriate amount. After receipt of such notice, the Company will forthwith allot and issue the required number of Shares. The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).
5. Options not exercised on or before the Expiry Date will automatically lapse.
6. Where the Secondary Options are exercised in part, they must be exercised in multiples of 10,000 on each occasion. If the holder of Secondary Options holds less than 10,000 Secondary Options, the Secondary Options must be exercised in whole if exercised.
7. In the event of any re-organisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of the Optionholder will be changed

to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.

8. In the event that the Company shall amalgamate, consolidate with, or merge into another corporation, the Optionholder will thereafter receive, upon the exercise of the Secondary Options, the securities or property to which a holder of the number of Shares then deliverable upon the exercise of the Secondary Options would have been entitled to upon such amalgamation, consolidation, or merger and the Company will take steps in connection with such amalgamation, consolidation or merger as may be necessary to ensure that the provisions hereof shall thereafter be applicable, as near as reasonably may be, in relation to any securities or property thereafter deliverable upon the exercise of the Secondary Options. A sale of all or substantially all of the assets of the Company for a consideration (apart from the assumption of obligations) a substantial portion of which consists of securities shall be deemed a consolidation, amalgamation or merger for the purposes hereof.
9. The Optionholder has no right or entitlement to participate in any new issues of capital which may be made or offered by the Company to its members from time to time prior to the Expiry Date unless the Secondary Options herein granted is exercised.
10. If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which a Secondary Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the Secondary Option has been exercised before the date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of 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.
11. 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 Secondary Options, the Exercise Price of a Secondary Option will be dealt with in the manner provided for in the Listing Rules.
12. The Secondary Option may be assigned by the Optionholder at any time prior to the Expiry Date.

5.7 Material Contracts

Share Sale Agreement

On 11 September 2009 the Company entered into the Share Sale Agreement with the Vendors and Mintech under which the Vendors agreed to sell all of the issued shares in private company Mintech ("**Shares**") to the Company for a total consideration of \$4.95 million. Mintech:

1. is the registered holder of the exploration licence EL 4267 in South Australia which covers the Razorback Iron Ore Project ("**Tenement**");
2. legally and beneficially holds 75% of the shares in Mawson Metals Group Limited (ACN 138 064 972), an unlisted public company; and
3. legally and beneficially holds 100% of the shares in FeRUS, a private company.

On 18 September 2009, following successful completion of the initial due diligence period, the Company paid a non-refundable deposit of \$250,000 to the Vendors.

Completion of the sale and purchase of the Shares ("**Completion**") is subject to the following conditions ("**Conditions**"), all of which are for the benefit of the Company:

1. there being no material adverse change, or any event reasonably likely to result in such a change, in the business, financial or trading position, assets, liabilities, profitability or prospects of Mintech;

2. there being no material breach, and there are no facts or circumstances that may lead to a material breach, of any warranties given by the Vendors under the Share Sale Agreement;
3. the Company being satisfied with the results of its due diligence investigations;
4. the Company successfully completing a capital raising of not less than \$8.5 million to fund the acquisition of the Shares;
5. there being no fact, matter or circumstance known to the Vendors which is reasonably likely to lead to the cancellation, suspension, forfeiture or surrender of the Tenement or of any reduction in the area of the Tenement;
6. the extinguishment of any securities convertible into shares in Mintech;
7. the extinguishment of any options or other entitlements or rights of any kind to have shares in Mintech issued; and
8. the transfer of ownership of all shares in FeRUS from Mintech to Ivan Peter Lewis.

Provided that the Conditions are satisfied or waived by the Company before 4 December 2009, Completion will take place 4 business days after the date that the last of the Conditions is satisfied or waived by the Company. If this has not occurred before 4 December 2009, the Company may terminate the Share Sale Agreement.

At Completion, the Company will pay the remaining purchase price of \$4.7 million to the Vendors as follows:

1. the Company will pay all debts and liabilities owed by Mintech (or any related body corporate of Mintech) to third parties; and
2. the Company shall pay the remainder of the \$4.7 million to the Vendors.

From Completion, Ivan Peter Lewis will resign as sole director and secretary of Mintech and Marcus Flis, and Frank DeMarte, both directors of the Company, will be appointed as the sole director and secretary of Mintech respectively.

The Vendors have given a number of warranties under the Share Sale Agreement, including in regards to the good standing of Mintech and of the Tenement. The Vendors severally indemnify the Company from all liabilities which the Company may incur if any of the warranties are untrue or inaccurate.

The maximum liability of the Vendors under the Share Sale Agreement is A\$30 million.

Except in respect of claims relating to a breach of taxation warranties (for which the applicable notification period is seven years) the Vendors have no liability to the Company in respect of any breach of the Vendors' warranties or any other breach by the Vendors of the Asset Sale Agreement unless written notice of the relevant claim by the Company against the Vendor is given to the Vendors within two years after the date Completion occurs.

The Company's rights under the Share Sale Agreement are exclusive and, until Completion, the Vendors must not solicit or respond to any enquiries or proposals by any other person concerning an acquisition of the Shares or the assets of Mintech.

The Company may terminate the Share Sale Agreement if either of the Vendors defaults in the performance of any of its obligations under the agreement upon which the parties will have no further rights or obligations to each other except for accrued rights and confidentiality obligations.

Consultancy Agreement

On 11 September 2009 the Company also entered into the Consultancy Agreement with FeRUS and Mintech under which FeRUS agreed to provide certain consulting services to Mintech on an

independent consultant basis and the Company agreed to guarantee the obligations of Mintech under the Consultancy Agreement. FeRUS is 100% controlled by the Hon. Peter Lewis, the principal shareholder in Mintech. The consultancy services provided by FeRUS will assist Mintech to bring the project to Pre-Feasibility Study ("**PFS**") within three years from the date of Completion under the Share Sale Agreement ("**PFS Period**") and to a Bankable Feasibility Study ("**BFS**") within two years of the PFS ("**BFS Period**"). In the event certain events outside the control of Mintech occur during either of these periods ("**Intervening Event**"), the date by which the PFS and BFS must be completed are extended for the duration of that Intervening Event.

The engagement of FeRUS commenced on 18 September 2009.

Under the Consultancy Agreement Mintech will pay a consultancy fee to FeRUS upon announcement by the Company to the ASX of successful completion of a PFS ("**PFS Announcement**"). The consultancy fee for completion of PFS is \$5 million, payable within five business days of the PFS Announcement. If a PFS Announcement is not made by 10 business days before the expiry of the PFS Period then Mintech must, before the end of the PFS Period, either:

1. pay \$5 million to FeRUS, in which case a PFS Announcement will be deemed to have been made on the date the \$5 million is paid; or
2. give an irrevocable notice to FeRUS offering to transfer the Tenement to FeRUS for consideration of \$1. If FeRUS requires Mintech to transfer the Tenement, Mintech must transfer the Tenement to FeRUS. If FeRUS elects not to require Mintech to transfer the Tenement, Mintech may elect to either retain or surrender the Tenement.

Mintech will also pay a consultancy fee to FeRUS upon announcement by the Company to the ASX of successful completion of a BFS ("**BFS Announcement**"). The consultancy fee for completion of BFS is \$20 million, payable within five business days of the BFS Announcement. If a BFS Announcement is not made by 10 business days before the expiry of the BFS Period then Mintech must, before the end of the BFS Period, either:

1. pay \$20 million to FeRUS; or
2. give an irrevocable notice to FeRUS offering to transfer the Tenement to FeRUS for consideration of \$1. If FeRUS requires Mintech to transfer the Tenement, Mintech must transfer the Tenement to FeRUS. If FeRUS elects not to require Mintech to transfer the Tenement, Mintech may elect to either retain or surrender the Tenement.

Under the Consultancy Agreement the Company unconditionally and irrevocably guarantees to FeRUS the due and punctual performance by Mintech of all of its obligations under the Consultancy Agreement and indemnifies FeRUS against any losses, damages, costs and expenses which FeRUS may incur as a result of any breach or non-observance by Mintech of these obligations.

The Consultancy Agreement will terminate on completion of the obligations under the agreement or by mutual agreement by the parties. FeRUS may only assign the Consultancy Agreement with the prior written consent of Mintech. Mintech may assign part or any or its rights or obligations arising out of the Consultancy Agreement by giving notice to FeRUS.

FeRUS Royalty Deed

If Mintech (or any related body corporate of Mintech) makes a decision to proceed to development and mining of an ore body located within the Tenement, Mintech and FeRUS must execute the royalty deed attached as Annexure A to the Consultancy Agreement ("**FeRUS Royalty Deed**") within five business days after the date that the decision is taken and announced.

Under the FeRUS Royalty Deed, Mintech agrees to pay FeRUS a 1.25% royalty on all iron ore produced from the Tenement from the date on which the extraction and recovery of iron ore commences. The royalty is payable for the term of the Tenement.

Mintech is not obliged to explore, develop or mine the Tenement under the FeRUS Royalty Deed and Mintech has complete discretion concerning the nature, timing and extent of any exploration, development and mining it does conduct.

Once it has executed the FeRUS Royalty Deed, Mintech may only sell or assign its interest in the Tenement to a third party if that third party executes an assumption deed agreeing to assume Mintech's obligations under the FeRUS Royalty Deed. If FeRUS wishes to sell or assign its rights under the FeRUS Royalty Deed to a third party, FeRUS must first offer to sell or assign these rights to Mintech on the same terms.

Option Deed

On 11 September 2009 the Company entered into an exclusive Option Deed with Goldus under which Goldus has granted to the Company:

1. the right to conduct iron ore exploration on exploration licences EL3927 and EL3997 in South Australia ("**Goldus Tenements**") during the Option Period; and
2. an exclusive option to buy the Goldus Tenements from Goldus exercisable at any time during the Option Period for a purchase price of \$10 million ("**Option**").

The Option Deed is conditional upon Completion of the purchase of 100% of the Shares in Mintech by the Company under the Share Sale Agreement occurring ("**Option Deed Condition**"). The period within which the Company may exercise the Option ("**Option Period**") is 10 years from the date the Option Deed Condition is satisfied. If the Option Deed Condition is not satisfied within six months from the date that the Option Deed is executed, either party may terminate the Option Deed.

Exploration Rights

Under the Option Deed Goldus has granted to the Company the exclusive right to conduct exploration for iron ore on the Goldus Tenements at the Company's sole risk and cost during the Option Period. Iron ore is defined in the Option Deed as including all ferrous metals, including magnetite and haematite. The Company may commence exploration at any time after the Option Deed Condition is satisfied. As part of its exploration, the Company must satisfy the minimum work and expenditure commitments with respect to iron ore required to be undertaken on the Goldus Tenements under the *Mining Act 1971* (SA).

Goldus retains the right to grant exploration or mining rights for minerals other than iron ore on the Goldus Tenements to third parties ("**Other Mineral Rights**"). However, the Company has a right or pre-emption in respect of any proposed grant by Goldus of Other Mineral Rights to third parties.

Goldus is restricted from dealing with or encumbering the Goldus Tenements until the end of the Option Period and must not voluntarily relinquish ground or surrender any other rights held under the Goldus Tenements unless the Company agrees.

Option

In consideration for the grant of the Option, the Company must pay to Goldus an option fee of \$50,000 annually. The first annual payment is due on the day that the Option Deed Condition is satisfied.

The Company may exercise the Option at any time during the Option Period by giving Goldus an 'Exercise Notice'. Once the Company has exercised the Option, completion of the sale and purchase of the Goldus Tenements will take place on the second business day after Goldus receives the Exercise Notice. At completion of the sale and purchase of the Goldus Tenements, the Company must pay to Goldus the purchase price of \$10 million.

Goldus Royalty Deed

If Completion occurs, the Company and Goldus must execute the royalty deed attached as Annexure A to the Option Deed ("**Goldus Royalty Deed**") within two business days. Under the Goldus Royalty

Deed, the Company agrees to pay Goldus a 1.25% royalty on all iron ore produced from the Goldus Tenements from the date on which the extraction and recovery of iron ore commences. The royalty is payable for the term of the Goldus Tenements.

The Company is not obliged to explore, develop or mine the Goldus Tenements under the Goldus Royalty Deed, and the Company has complete discretion concerning the nature, timing and extent of any exploration, development and mining it does conduct.

Once it has executed the Goldus Royalty Deed, the Company may only sell or assign its interest in the Goldus Tenements to a third party if that third party executes an assumption deed agreeing to assume the Company's obligations under the Goldus Royalty Deed. If Goldus wishes to sell or assign its rights under the Goldus Royalty Deed to a third party, Goldus must first offer to sell or assign these rights to the Company on the same terms.

Memorandum of Understanding

Summary

On 5 October 2009, the Company entered into the MOU with Sin-Tang, a Singaporean iron ore supplier, under which:

1. Sin-Tang will acquire a shareholding interest in the Company;
2. Sin-Tang will underwrite a rights issue by the Company of \$920,000 worth of Shares subject to availability; and
3. the parties will establish an unincorporated joint venture ("**JV**") between Mintech and Sin-Tang (or their respective related body corporate nominees) ("**JV Participants**") to develop and operate the Razorback Ridge Project.

Placement

Within 2 days of execution of the MOU, the Company will issue to Sin-Tang the shares that it is entitled to issue without shareholder approval (being 8,869,108 Shares) ("**Initial Placement**") for consideration of \$0.15 per share. The Company may conduct due diligence in respect of Sin-Tang prior to the date that it makes the Initial Placement. The Company may terminate the MOU at any time prior to the Initial Placement if it is not satisfied with the results of its due diligence in which case the Initial Placement will not occur. Refer to Section 3.2 for the specific details for the additional Shares to be issued pursuant to this obligation.

Underwriting

Sin-Tang has three weeks from the execution of the MOU to carry out due diligence, during which time Sin-Tang can terminate the MOU if it is not satisfied with the results of the due diligence.

Provided that Sin-Tang is satisfied with the results of its due diligence, Sin-Tang has agreed to sub-underwrite up to \$5 million worth of Shares issued by the Company as part of the Rights Issue ("**Underwritten Amount**") in return for a fee of 3% of the Underwritten Amount. Notwithstanding the maximum sub-underwritten amount being \$5 million under the MOU, Sin-Tang has agreed with Patersons Securities Limited to sub-underwrite \$920,000 of the funds to be raised under the Rights Issue (9,200,000 New Shares and 3,066,666 free attaching New Options) on the same terms and conditions as other sub-underwriters. The Company intends to issue the balance of the Underwritten Amount, that is \$4,080,000 worth of Shares (and free attaching New Options) with shareholder approval – refer to Section 3.2 for further details.

In connection with the Rights Issue, Sin-Tang must subscribe for its full entitlement to the Company shares ("**Sin-Tang Allocation**"). No underwriting fee is payable to Sin-Tang in connection with these shares.

If Sin-Tang's shareholding in the Company will exceed 20% then, if required in order to comply with the Corporations Act, Sin-Tang's obligation to subscribe for the Underwritten Amount and the Sin-Tang Allocation will be deferred unless and until the approval of the Company's shareholders is obtained in regards to the shareholding above 20%.

Within 30 days of completion of the Rights Issue, if required, the Company will have the option to place additional Shares of the Company with Sin-Tang at the same price per Share as offered during the rights issue. Refer to Section 3.2 for details for the additional Shares to be issued pursuant to this clause of the MOU.

Negotiation of JVA

Upon execution of the MOU, the Company and Sin-Tang will also commence negotiation of a joint venture agreement ("**JVA**") to establish and govern the JV. The JVA must include certain agreed key principles described below. Neither party is obliged to enter into the JVA if the parties cannot reach agreement on the terms of the JVA.

All other provisions subject to satisfaction of Other Conditions

The MOU is subject to the following conditions being waived by both the Company and Sin-Tang in writing or satisfied by 4 December 2009 ("**Other Conditions**"):

1. the Company obtaining 100% of the shares in Mintech;
2. the Option Deed becoming unconditional (which will occur upon the Company obtaining 100% of the shares in Mintech);
3. Mintech still owing 100% of the mineral rights attached to EL4267;
4. Mintech executing the MOU; and
5. Mintech and Sin-Tang entering into the JVA (as outlined above).

If any of the Other Conditions become incapable of satisfaction or are not satisfied or waived by 4 December 2009, either party may terminate the MOU.

Subject to the MOU becoming unconditional, the Company grants to the JV Participants:

1. a right to explore for iron ore on EL3997 for so long as the Company is permitted to carry out such exploration under the Option Deed; and
2. an option to oblige the Company to exercise its option under the Option Deed to acquire EL3997 and EL3927. The Company must then transfer EL3997 into the names of the JV Participants (in equal proportions). In return, the JV Participants will pay the Company \$10 million. The Company will own EL3927.

If after the option is exercised the Company wishes to dispose of a beneficial interest in EL3927 to any third party Sin-Tang has a pre-emptive right to acquire that interest on the same terms and conditions as offered to the third party.

Subject to:

1. the Company being the holder of EL3927;
2. the completion of the BFS; and
3. the JV Participants having established that the aggregate iron ore resources of EL4267 and EL3997 are less than 1.25 billion tonnes,

the JV Participants will have the right to acquire (at market price) the resources contained in that part of the first JORC compliant inferred iron ore resources established on EL3927 necessary to bring the JV Participants' aggregate iron ore resource in respect of the Tenements up to 1.25 billion tonnes.

Subject to the MOU becoming unconditional, if either party acquires any interest with respect to iron ore or infrastructure associated with the mining and transportation of iron ore in South Australia it must offer the other party an interest in that project proportionate to the other party's interest in the JV at that time. The fee payable for that interest will be the other party's JV interest proportion of:

1. the price paid for the project by the notifying party; plus
2. all expenses that the notifying party has incurred in relation to the project to that date.

Assignment of MOU

A party may only assign the MOU or a right under the MOU with the prior written consent of each other party.

JVA Key Term Sheet

Participants

The parties will establish a JV between Mintech and Sin-Tang (or their respective related body corporate nominees) to develop and operate the Razorback Ridge Project.

JV Property

The initial JV property will comprise the Tenement and the rights given to the JV Participants by the Company under the MOU to explore for iron ore on EL3997. If the JV Participants exercise their right to acquire EL3997, each JV Participant will pay 50% of the cost of acquisition and the JV property will also include this exploration licence.

Interests in the JV

Sin-Tang's acquisition of an interest in the JV will be as follows:

1. Within seven days of Mintech declaring a resource of 250 million tonnes, Sin-Tang will pay \$10 million to the JV ("**Initial Payment**") and will acquire a 13.64% interest in the JV. The Initial Payment will be used to operate and manage the JV and achieve PFS. The JV Participants will contribute any additional money required to achieve PFS in proportion to their interests in the JV (Mintech 86.36%: Sin-Tang 13.64%).
2. Within seven days of the announcement of a PFS, Sin-Tang will pay \$20 million to the JV ("**PFS Payment**") and will acquire an additional 18.18% interest in the JV. The PFS Payment will be used as follows:
 - (a) \$5 million will be used to satisfy Mintech's obligation under the Consultancy Agreement to pay FeRUS \$5 million on achieving PFS; and
 - (b) the remaining \$15 million will be used to operate and manage the JV and achieve BFS. The JV Participants will contribute any additional money required to achieve BFS in proportion to their interests in the JV (Mintech 68.18%: Sin-Tang 31.82%).
3. Within seven days of the announcement of a BFS, Sin-Tang will pay \$20 million to the JV ("**BFS Payment**") and will acquire an additional 18.18% interest in the JV. The BFS Payment will be used to satisfy Mintech's obligation under the Consultancy Agreement to pay FeRUS \$20 million on achieving BFS.
4. Once a BFS is announced, future funding will be in proportion to each JV Participants' interest in the JV (Mintech 50%: Sin-Tang 50%).

Failure to pay by Sin-Tang

If Sin-Tang fails to pay the Initial Payment, the PFS Payment or the BFS Payment by the relevant due date for payment Sin-Tang will forfeit its right to acquire any additional interest in the JV.

Manager

A subsidiary of the Company will be appointed as the manager of the JV.

Management Committee

Once Sin-Tang acquires a 13.64% interest in the JV, a management committee will be formed. Each JV Participant will appoint two representatives to the management committee who will have an initial voting percentage of 50%. If Sin-Tang fails to pay the JORC Payment, PFS Payment or BFS Payment by the relevant due date for payment, each JV Participant's voting percentage will be adjusted to be equivalent to that JV Participant's interest in the JV at that time.

All decisions of the management committee will be by simple majority except for the following decisions which will require unanimous consent:

1. any decision to dispose or surrender any part of the Tenements (except as required by the Mining Act);
2. suspension or termination of JV activities for any reason;
3. sale or disposition of any item of JV property which exceeds \$300,000 and which is material to the operation of the JV; and
4. any amendment to the JVA.

Royalties

The JV Participants will pay:

1. the royalty payable to FeRUS in respect of EL4267 in proportion to their interest in the JVA at the relevant time; and
2. 50% each of the royalty payable to Goldus in respect of EL3997.

Assignment of JVA

A JV Participant may not assign its interest in the JV without the consent of the other JV Participant (except to a related body corporate). Each JV Participant has the right of pre-emption in respect of an assignment by the other JV Participant of its interest in the JV (except in the case of an assignment to a related body corporate).

Dilution and Withdrawal

If a JV Participant gives a notice of dilution within 7 days of the adoption by the management committee of an approved programme and budget, then the JV Participant is not obliged to make any further contribution to the JV and its interest in the JV will be diluted in accordance with the JVA.

A JV Participant may withdraw from the JV upon 30 days notice. Upon withdrawal that JV Participant forfeits its interest in the JV and will have no further rights or obligations to the JV, except for accrued rights and confidentiality obligations.

If the interest of a JV Participant reduces by dilution or assignment to less than 5%, then that JV Participant is deemed to have withdrawn from the JV.

Debt Funding

Both parties will use reasonable endeavours to ensure that any debt funding options available to them to fund their share of costs to explore, develop and exploit the Tenements are also made available to the other JV Participant on equivalent terms.

Underwriting Agreement

Pursuant to an Underwriting Agreement dated 13 October 2009 between the Company and Patersons Securities Limited ("**Underwriter**"), the Underwriter has agreed to underwrite all of the Rights Issue pursuant to this Prospectus.

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter a corporate advisory fee of \$50,000 and an underwriting fee equal to 5% of the aggregate amount underwritten under the Rights Issue. In addition, the Company must pay, indemnify and keep indemnified the Underwriter for all costs incurred by the Underwriter in connection with the Rights Issue, including legal fees and disbursements and the reasonable costs of travel and accommodation, marketing and communication costs.

The Company has given warranties and covenants to the Underwriter which are usual in an agreement of this nature.

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and its obligation thereunder at any time without cost or liability to the Underwriter upon the occurrence of any one or more of the termination events ("**Termination Event**") including:

- (a) (Indices fall): any of the ASX/S&P 200 Index or the ASX/S&P 200 Materials Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (b) (Share Price): the closing price of the Shares as quoted by ASX is less than \$0.10; or
- (c) (Interest Rates): if the official Bank Bill 90 day interest rate (IRESS code: BILL90.IR) increases by more than 1% from its level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (d) (Prospectus): the company does not lodge the Prospectus on the Lodgement Date set out in the Underwriting Agreement or the Prospectus or Offer is withdrawn by the Company; or
- (e) (No Official Quotation): Official Quotation has not been granted by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified; or
- (f) (Supplementary prospectus):
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in clause 13.1(r)(vi), forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
- (g) (Non compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - A. the effect of the Rights Issue on the Company; and
 - B. the rights and liabilities attaching to the Rights Securities; or
- (h) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations

Act) or if any statement in the Prospectus becomes or is misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or

- (i) (Restriction on allotment): the Company is prevented from allotting the Rights Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority; or
- (j) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (k) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (l) (ASIC hearing): ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or
- (m) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
- (n) (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (o) (Authorisation): any Authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (p) (Indictable offence): a director or senior manager of a Relevant Company is charged with an indictable offence; or
- (q) (Sub-underwriters): any of the Company Sub-Underwriters that are introduced by the Company do not comply with their obligations under the sub-underwriting agreements or threaten to not comply with their respective obligations under the sub-underwriting agreements; or
- (r) (Termination Events): any of the following events occurs, provided that these events, in the Underwriter's reasonable opinion, have a materially adverse effect or could give rise to a liability of the Underwriter:
 - (i) (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
 - (ii) (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect; or
 - (iii) (Contravention of constitution or Act): a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
 - (iv) (Adverse change): an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, losses, prospects, business or operations of any Relevant Company; or

- (v) (Error in Due Diligence Results): it transpires that any of the Due Diligence Results or any part of the Verification Material was false, misleading or deceptive or that there was an omission from them; or
- (vi) (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or
- (vii) (Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Issue or the Prospectus, except as required by law or the Listing Rules; or
- (viii) (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive; or
- (ix) (Official Quotation qualified): the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation"; or
- (x) (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy; or
- (xi) (Prescribed Occurrence): a Prescribed Occurrence occurs, other than as disclosed in the Prospectus; or
- (xii) (Suspension of debt payments): the Company suspends payment of its debts generally; or
- (xiii) (Event of Insolvency): an Event of Insolvency occurs in respect of a Relevant Company; or
- (xiv) (Judgment against a Relevant Company): a judgment in an amount exceeding \$50,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days; or
- (xv) (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus; or
- (xvi) (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before Completion without the prior written consent of the Underwriter; or
- (xvii) (Change in shareholdings): there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company; or
- (xviii) (Indicative Timetable): there is a delay in any specified date in the Indicative Timetable which is greater than 5 Business Days; or
- (xix) (Force Majeure): a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs; or
- (xx) (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- (xxi) (Capital Structure): any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus; or
- (xxii) (Breach of Material Contracts): any material contract is terminated or substantially modified; or
- (xxiii) (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or

- (xxiv) (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

5.8 Interests of Directors

- (a) At the date of this Prospectus the relevant interests of each of the Directors in the Shares and Options of the Company are as follows:

Directors	Shares		Options	
	Direct	Indirect	Direct	Indirect
Marcus Flis	114,300 ¹	-		1,500,000 ² 1,500,000 ³ 1,500,000 ⁴ 1,000,000 ⁵
Philip Crabb	-	11,498,410 ⁶	750,000 ⁷	1,000,000 ⁸ 1,000,000 ⁹
Malcolm Randall	-	294,593 ¹⁰	-	800,000 ¹¹ 750,000 ¹² 500,000 ¹³
Brian Richardson	615,470	270,624 ¹⁴	2,500,000 ¹⁵	1,000,000 ¹⁵ 500,000 ¹⁷
Frank DeMarte	137,500	771,701 ¹⁸	-	1,000,000 ¹⁹ 1,750,000 ²⁰ 750,000 ²¹

Notes:

- (1) 114,300 Shares are held by the Marcus Flis (ATF the M & S Flis Super Fund). Marcus Flis is a trustee and a member of the M & S Flis Super Fund.
- (2) 1,500,000 unquoted Options each with an exercise price of \$0.30 and expiring 6 April 2012 are held by the Marcus Flis (ATF the M & S Flis Super Fund). Marcus Flis is a trustee and a member of the M & S Flis Super Fund.
- (3) 1,500,000 unquoted Options each with an exercise price of \$0.50 and expiring 6 April 2013 are held by the Marcus Flis (ATF the M & S Flis Super Fund). Marcus Flis is a trustee and a member of the M & S Flis Super Fund.
- (4) 1,500,000 unquoted Options, each with an exercise price of \$0.25 and expiring 6 April 2011 are held by Susan Flis. Susan Flis is Marcus Flis' wife.
- (5) 1,000,000 unquoted Options, each with an exercise price of \$0.08 and expiring 30 April 2013 are held by Susan Flis. Susan Flis is Marcus Flis' wife.
- (6) 4,470 Shares are held by June Crabb – June Crabb is Philip Crabb's wife. 887,479 Shares are held by Darkdale Pty Ltd – Philip Crabb is a director of Darkdale Pty Ltd. 6,453,676 Shares are held by Ioma Pty Ltd – Philip Crabb is a director of Ioma Pty Ltd. 3,565,285 Shares are held by Ragged Range Mining Pty Ltd – Philip Crabb is a director and shareholder of Ragged Range Mining Pty Ltd. 587,500 Shares are held by the Crabb Superannuation Fund – Philip Crabb is a trustee and a member of the Crabb Superannuation Fund.
- (7) 750,000 unquoted Options each with an exercise price of \$0.30 and expiring 30 November 2013.
- (8) 1,000,000 unquoted Options each with an exercise price of \$0.20 and expiring 31 January 2011 are held by Ioma Pty Ltd – Philip Crabb is a director of Ioma Pty Ltd.
- (9) 1,000,000 unquoted Options each with an exercise price of \$0.50 and expiring 30 June 2012 are held by Ioma Pty Ltd – Philip Crabb is a director of Ioma Pty Ltd.

- (10) 294,593 Shares are held by Renique Holdings Pty Ltd (ATF the Randall Super Fund) – Malcolm Randall is a trustee and a member of the Randall Super Fund.
 - (11) 800,000 unquoted Options, each with an exercise price of \$0.20 and expiring 31 January 2011 are held by Renique Holdings Pty Ltd (ATF the Randall Super Fund) – Malcolm Randall is a trustee and a member of the Randall Super Fund.
 - (12) 750,000 unquoted Options, each with an exercise price of \$0.50 and expiring 30 June 2012 are held by Renique Holdings Pty Ltd (ATF the Randall Super Fund) – Malcolm Randall is a trustee and a member of the Randall Super Fund.
 - (13) 500,000 unquoted Options, each with an exercise price of \$0.30 and expiring 30 November 2013 are held by Renique Holdings Pty Ltd (ATF the Randall Super Fund) – Malcolm Randall is a trustee and a member of the Randall Super Fund.
 - (14) 270,624 Shares are held by Anne Richardson – Anne Richardson is Brian Richardson's wife.
 - (15) 2,500,000 unquoted Options, each with an exercise price of \$0.50 and expiring 30 June 2012.
 - (16) 1,000,000 unquoted Options, each with an exercise price of \$0.20 and expiring 31 January 2011 are held by Anne Richardson – Anne Richardson is Brian Richardson's wife.
 - (17) 500,000 unquoted Options, each with an exercise price of \$0.30 and expiring 30 November 2013 are held by Anne Richardson – Anne Richardson is Brian Richardson's wife.
 - (18) 637,313 Shares are held by the DeMarte Family Trust – Frank DeMarte is a trustee and a beneficiary of the DeMarte Family Trust. 19,413 Shares are held by Grandeur Holdings Pty Ltd – Frank DeMarte is a director and shareholder of Grandeur Holdings Pty Ltd. 114,975 Shares are held by the DeMarte Superannuation Fund – Frank DeMarte is a trustee and a member of the DeMarte Superannuation Fund.
 - (19) 1,000,000 unquoted Options, each with an exercise price of \$0.20 and expiring 31 January 2011 are held by the DeMarte Family Trust – Frank DeMarte is a trustee and a beneficiary of the DeMarte Family Trust.
 - (20) 1,750,000 unquoted Options, each with an exercise price of \$0.50 and expiring 30 June 2012 are held by the DeMarte Family Trust – Frank DeMarte is a trustee and a beneficiary of the DeMarte Family Trust.
 - (21) 750,000 unquoted Options, each with an exercise price of \$0.30 and expiring 30 November 2013 are held by the DeMarte Family Trust – Frank DeMarte is a trustee and a beneficiary of the DeMarte Family Trust.
- (b) Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:
- the formation or promotion of the Company; or
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
 - the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

Details of remuneration provided to Directors and their associated entities during the past two financial years are as follows:

Financial Year up to 30 June 2008			
Director	Directors' Fees/Salary/ Superannuation (\$)	Equity (\$)	Total (\$)
Philip G Crabb ¹	58,588	325,000	383,588
Malcolm J Randall	35,000	243,750	278,750
Brian D Richardson ²	35,000	812,500	847,500
Frank DeMarte	96,800	568,750	665,550
Rick W Crabb	35,000	243,750	278,750

Notes:

- (1) Fees of \$6,600 were paid in the normal course of business during the year for consultancy services to a company of which Mr Crabb is a director and shareholder.
- (2) Excludes fees paid in the normal course of business during the year for geological services totalling \$89,192 paid to a company of which Mr Richardson is a director and shareholder.

Financial year up to 30 June 2009			
Director	Directors' Fees/Salary/ Superannuation (\$)	Equity (\$)	Total (\$)
Philip G Crabb ¹	65,400	23,925	89,325
Malcolm J Randall	35,000	15,950	50,950
Brian D Richardson ²	35,000	15,950	50,950
Rick W Crabb ³	35,000	15,950	50,950
Frank DeMarte	136,383	23,925	160,308
Marcus F Flis ⁴	331,470	173,217	504,687

Notes:

- (1) No fees were paid in the normal course of business during the year for consultancy services to a company of which Mr Crabb is a director and shareholder.
- (2) Excludes fees paid in the normal course of business during the year for geological services totalling \$8,800 paid to a company of which Mr Richardson is a director and shareholder.
- (3) Rick W Crabb resigned as a director on 11 August 2009.
- (4) Marcus F Flis was appointed the Managing Director on 11 August 2009.

Period From 1 July 2009 to the date of the Prospectus			
Director	Directors' Fees/Salary/ Superannuation (\$)	Equity (\$)	Total (\$)
Marcus F Flis ¹	81,750	-	81,750
Philip G Crabb	16,350	-	16,350
Malcolm J Randall	8,750	-	8,750
Brian D Richardson	8,750	-	8,750
Frank DeMarte	29,075	-	29,075
Rick W Crabb ²	3,937	-	3,937

Notes:

- (1) Marcus F Flis was appointed the Managing Director on 11 August 2009.
- (2) Rick W Crabb resigned as a director on 11 August 2009.

The Company has entered into Deeds of Indemnity, Access and Insurance on standard terms with each of Frank DeMarte, Brian Richardson, Malcolm Randall, Philip Crabb and Marcus

Flis. Those deeds indemnify Messrs DeMarte, Richardson, Randall, Crabb and Flis in respect of any liabilities and legal expenses incurred by them whilst acting as Directors and insure them against certain risks they are exposed to as Directors.

Mr Philip Crabb (through a controlled entity) has agreed with Patersons Securities Limited to sub-underwrite \$345,000 of the funds to be raised under the Rights Issue (3,450,000 New Shares and 1,150,000 free attaching New Options) on the same terms and conditions as other sub-underwriters. Accordingly, Mr Philip Crabb will receive sub-underwriting fees of 3% of the amount sub-underwritten, being \$10,350.

5.9 Disclosure of Underwriter Voting Power

As noted above, the Rights Issue is underwritten by the Underwriter.

The Underwriter has advised the Company that it has entered into sub-underwriting agreements with a number of sub-underwriters in relation to the Shortfall.

Other than as disclosed below, neither the Underwriter, nor any other sub-underwriters, individually, will have a voting power in the Company in excess of 20% by virtue of complying with their obligations under the Underwriting Agreement or the sub-underwriting agreements respectively.

In the unlikely circumstances that all Eligible Shareholders decide not to take up their Entitlement and all sub-underwriters renege on their obligations to subscribe for the Shortfall as instructed by the Underwriter, and the Underwriting Agreement has not been terminated, the Underwriter's voting power in the Company would increase to 50%.

5.10 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

- Stantons International Pty Ltd are the auditors to the Company. They have provided audit services to the Company during the last two years for which the Company has paid or will pay fees totalling approximately \$102,493 (excluding GST).
- Blakiston & Crabb have acted as solicitors to the Company in relation to this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately \$25,000 (excluding GST) for these professional services. Blakiston & Crabb have provided other professional services to the Company during the last two years for which the Company has paid or will pay fees totalling approximately \$89,300.

- Computershare Investor Services Pty Ltd is the Company's share registry and has provided share registry services to the Company during the last two years amounting to approximately \$43,000 (excluding GST).
- Patersons Securities Limited has acted as Lead Manager and Underwriter for which it will, pursuant to the Underwriting Agreement, receive an underwriting fee equal to 5% of the total amount underwritten under the Rights Issue and a Corporate Advisory Fee of \$50,000. The Underwriting Agreement is summarised in Section 5.7. With respect to its appointment as nominee for Excluded Shareholders, Patersons Securities Limited will charge \$150.00 plus GST or 1% of the value of the sales executed whichever ever is the greater. During the last two years Patersons Securities Limited acted in October 2007 as lead manager and underwriter to a rights issue of shares and options that raised \$5,207,693.72 and was paid fees and expenses (including GST) of \$265,592.39.

5.11 Expenses of the Rights Issue

The approximate expenses of the Rights Issue are as follows:

(a)	Legal fees	\$25,000
(b)	ASIC lodgement fees	\$2,010
(c)	ASX listing fees	\$18,016
(d)	Printing, mailing and sundries	\$20,325
(e)	Underwriting fees	\$506,649
(f)	Corporate managers fee	\$50,000
(f)	Share Registry Fees	\$25,000
	Total	\$647,000

These expenses are payable by the Company.

5.12 Consents

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as share registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Each of the parties referred to in this Section 5.12:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 5.12; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 5.12.

Stantons International has given its written consent to the use of the audited balance sheet of the Company as at 30 June 2009 for the purposes of preparing the pro forma balance sheet in the form and context in which that audited balance sheet is included and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Marcus Flis has given his written consent to the inclusion in this Prospectus of all statements made by him or attributed to or derived from those statements in the form and context in which they are included and has not withdrawn such consent before lodgement of the Prospectus with ASIC.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Stantons International as the auditors of the Company;

- (b) Patersons Securities Limited as Lead Manager and Underwriter; and
- (c) Blakiston & Crabb as solicitors to the Rights Issue.

5.13 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of New Shares (with free attaching New Options) in response to an electronic application form, subject to compliance with certain provisions.

The offer pursuant to an Electronic Prospectus is only available for applications for the Shortfall by the Underwriter and sub-underwriters receiving an electronic version of this Prospectus within Australia.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Shortfall Application Form. If you have not, please email the Company at info@royalresources.com.au and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Shortfall Application Form from a person if it has reason to believe that when that person was given access to the electronic Shortfall Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the application monies will be dealt with in accordance with section 722 of the Corporations Act.

Section 6 **DEFINED TERMS**

"\$" means an Australian dollar;

"ASIC" means the Australian Securities and Investments Commission;

"ASX" means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"Business Day" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

"Closing Date" means 5.00pm WST on 12 November 2009;

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

"Consultancy Agreement" means the agreement of that name between the Company, Mintech and FeRUS dated 11 September 2009;

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

"Directors" means the directors of the Company;

"Eligible Shareholder" is a shareholder of the Company whose details appear on the Company's register of shareholders as at the Record Date;

"Electronic Prospectus" means an electronic version of the Prospectus;

"Entitlement" or "Right" means the entitlement of an Eligible Shareholder to participate in the Rights Issue, as shown on the Entitlement and Acceptance Form;

"Entitlement and Acceptance Form" means the entitlement and acceptance form accompanying this Prospectus;

"Excluded Shareholder" means Eligible Shareholders registered outside Australia and New Zealand;

"FeRUS" means FeRUS Pty Ltd ACN 114 975 012;

"Goldus" means Goldus Pty Ltd ACN 076 662 149;

"GST" means any tax, import or other duty raised on the supply of goods and services and imposed by the Commonwealth or a State or Territory of Australia;

"Listing Rules" means the Listing Rules of ASX;

"Mintech" means Mintech Resources Pty Ltd ACN 086 689 485;

"MOU" means the memorandum of understanding between the Company, Mintech and Sin-Tang dated 2 October 2009;

"New Option" means an option exercisable at 10 cents on or before 31 October 2011 offered pursuant to the Rights Issue on the terms set out in Section 5.5;

"New Share" means a Share offered pursuant to the Rights Issue on the terms set out in Section 2.1;

"Offer" means an offer of securities pursuant to this Prospectus;

"Option" means an option to acquire one Share;

"Option Deed" means the deed of that name between the Company and Goldus dated 11 September 2009;

"Prospectus" means this prospectus dated 13 October 2009;

"Record Date" means 5.00 p.m. WST on 22 October 2007;

"Rights Issue" means the issue pursuant to the Prospectus of a pro-rata renounceable rights issue of approximately 101,329,828 New Shares on the basis of 1 New Share for every 1 Share held on the Record Date at an issue price of \$0.10 per New Share, together with approximately 3,776,609 free attaching New Options, each exercisable at \$0.10 on or before 31 October 2011 on the basis of 1 New Option for every 3 New Shares issued, to raise approximately \$10,132,983. If a New Option is exercised between 3 May 2010 and 31 May 2010 the New Option holder is entitled to receive a Secondary Option exercisable at \$0.12 on or before 31 October 2013;

"Secondary Option" means an Option, issued on the conversion of a New Option, exercisable at 12 cents on or before 31 October 2013 on the terms set out in Section 5.6;

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

"Share Sale Agreement" means the agreement of that name between the Company, the Vendors and Mintech dated 11 September 2009;

"Shortfall" or **"Shortfall Securities"** means the New Shares and free attaching New Options forming Entitlements, or parts of Entitlements, not accepted by Eligible Shareholders;

"Sin-Tang" means Sing-Tang Development Pte Ltd of 1 Maritime Square #09-02, Harbourfront Centre, Singapore 099253 in Singapore Facsimile: +65 6273 3875;

"Tenement" means exploration licence EL 4267 in South Australia which covers the Razorback Iron Project;

"Underwriter" means Patersons Securities Limited;

"Underwriting Agreement" means the Underwriting Agreement dated 13 October 2009 between the Underwriter and the Company described in Section 5.7 of the Prospectus;

"Vendors" means the vendors under the Share Sale Agreement, being Ivan Peter Lewis and James Yick Gay Chu; and

"WST" means Western Standard Time.

Section 7 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares and free attaching New Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 13 October 2009

A handwritten signature in black ink, appearing to be 'Frank DeMarte', written over a horizontal line.

Frank DeMarte
Director

SHORTFALL APPLICATION FORM

This form is only for the use of the Underwriter and sub-underwriters.

ROYAL RESOURCES LIMITED ACN 108 102 432

Instructions for A to J are set out on the next page

USE BLOCK LETTERS

Write your name – refer to the guide (next page) for correct forms of registrable title(s)

Tax File Number(s) or exemption category

A	TITLE	GIVEN NAMES	SURNAME
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B	TITLE	JOINT APPLICANT No.2 OR ACCOUNT DESIGNATION
	TITLE	JOINT APPLICANT No.3 OR ACCOUNT DESIGNATION

D	ADDRESS		
	SUBURB/TOWN	STATE	POSTCODE

E	CONTACT NAME	TELEPHONE (W)	TELEPHONE (H)	EMAIL
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F	SRN/IPN	HIN
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G	I/We Apply for		New Shares and lodge application moneys in full @ \$0.10 per New Share (I/we will be issued with one New Option for every 3 New Shares allotted to me/us)	H	Application Money \$		Date / /
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Cheque Details

I	DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE
	DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE

Cheques should be made payable to: **“Royal Resources Limited – Share Issue Account”**

- J** This Shortfall Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the application money the applicant hereby:
- (1) applies for the number of New Shares (and free attaching New Options) in the Shortfall Application Form or such lesser number as may be allocated by the Directors and/or the Underwriter;
 - (2) agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company;
 - (3) authorise the Directors and/or the Underwriter to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions; and
 - (4) acknowledges that an application for Shortfall does not guarantee an allotment of New Shares (and free attaching New Options).

SHORTFALL APPLICATION FORM

This form is only for the use of the Underwriter and sub-underwriters.

Please complete all relevant sections of the Shortfall Application Form ("the Form") using BLOCK LETTERS. If you have any queries on how to complete this form please telephone Frank DeMarte on (08) 9322 8542.

The Shortfall Application Form relates to the one for one renounceable pro rata Rights Issue of approximately 101,329,828 New Shares on the basis of 1 New Share for every 1 Share held on the Record Date of 22 October 2009 at an issue price of \$0.10 per New Share, together with approximately 33,776,609 free attaching New Options, each exercisable at \$0.10 on or before 31 October 2011 on the basis of 1 New Option for every 3 New Shares issued (if a New Option is exercised between 3 May 2010 and 31 May 2010 the New Option holder is entitled to receive a Secondary Option exercisable at \$0.12 on or before 31 October 2013), to raise approximately \$10,132,983 pursuant to the Prospectus dated 13 October 2009. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares and Options of the Company and it is important to read this document before applying for New Shares and free attaching New Options. A person who gives another person access to this Shortfall Application Form must at the same time and by the same means, give the other person access to the Prospectus, and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and a Shortfall Application Form, on request to applicants without charge.

The Prospectus does not constitute an offer in any place where or to any person to whom it would not be lawful to make such an offer.

Please forward the completed Application Form together with your cheque to:

By Delivery:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

By Post:

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

so as to reach them on or before the last date instructed by the Company.

- A** Write your FULL NAME in Box A. This must be either your own name or the name of a company. You should refer to the bottom of this page for the correct form which can be registered. Application using the incorrect form of name may be rejected. If your Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your Form as valid, and how to construe, amend or complete it, shall be final. You will not however, be treated as having offered to subscribe for more New Shares than is indicated by the amount of the accompanying cheque for the application moneys referred to in Box H.
- B** If you are applying as JOINT APPLICANTS, complete Boxes A and B. You should refer to the bottom of this page for instructions on the correct form of name. Up to three Joint Applicants may register.
- C** Enter your TAX FILE NUMBER (TFN) or exemption category beside your name. Where applicable, please enter the TFN for each Joint Applicant. Collection of TFN's is authorised by taxation laws. Quotations of your TFN is not compulsory and will not affect your Form.
- D** Enter your POSTAL ADDRESS for all correspondence. All communications to you from Royal's Share Registry (shareholding statements, dividend cheques, annual/interim reports, correspondence etc) will be mailed to the person(s) and address as shown. For Joint Applications only one address can be entered.
- E** Please let us know your TELEPHONE NUMBER(S), email and contact name in case we need to contact you in relation to your Form.
- F** Royal participates in the ASX's CHESS System. If you are participating in this system, you may complete this section. If you are not a participant in the CHESS System do not complete this box. It will not affect your Application.
- G** Insert the NUMBER OF NEW SHARES you wish to apply for in Box G. You will be issued with one New Option for every 3 New Shares allotted to you. Neither the Directors nor the Underwriter guarantee any allocation of New Shares and free attaching New Options from a Shortfall application.
- H** Enter the amount of your application moneys here. The amount must be equal to the number of New Shares applied for (see box G) multiplied by \$0.10 per New Share.
- I** Complete cheque details as required. Cheques must be drawn on an Australian bank in Australian currency and made payable to "**Royal Resources Limited – Share Issue Account**" and crossed "Not Negotiable". Do not send cash. **A separate cheque should accompany each Shortfall Application Form lodged.**
- J** The Shortfall Application Form does not need to be signed.

CORRECT FORMS OR REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Royal. At least one full given name and the surname is required for each natural person. Applications cannot be made by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith	John Smith (Deceased)
Partnerships	Mr John David Smith and Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith	Smith Investment Club
Superannuation Funds	John Smith Pty Ltd	John Smith Superannuation Fund

