

ASX Announcement: ROY
24 November 2009



ROYAL COMPLETES ACQUISITION OF KEY RAZORBACK IRON PROJECT TENEMENT

Key Points:

- **Royal has successfully completed the acquisition of the key exploration licence holding the Razorback Iron Project**
- **The acquisition was executed by way of a Tenement Sales Agreement to simplify the transaction and further protect share holder's interests**
- **An Option Deed on the Goldus tenements has been triggered with the first year's option payment**
- **Aeromagnetic surveys of both the Razorback and Goldus ground is scheduled to begin in the first week of December**
- **Geological mapping of the Razorback ground is now underway**

Royal Resources Limited (**Royal**) is pleased to announce that on 23 November 2009 Mintech Resources Pty Ltd (**Mintech**) and Razorback Iron Pty Ltd (**Razorback Iron**) (a wholly owned subsidiary of Royal Resources) entered into and completed under a Tenement Sale Agreement (**TSA**) for the sale by Mintech to Razorback Iron of 100% of EL4267.

As previously announced, EL4267 is the key tenement in the Razorback Ridge Project and completion under the TSA represents a critical milestone in Royal's acquisition of the Razorback Ridge Project.

By mutual agreement between Royal and the vendors, the decision was taken to restructure the transaction to enable the direct acquisition by Razorback Iron of EL4267 in substitution for the earlier arrangement under which:

- pursuant to a Share Sale Agreement, Royal would have acquired all of the shares in Mintech; and
- pursuant to a Consultancy Agreement, FeRUS would have provided consultancy services on an ongoing basis for Mintech.

On 23 November 2009 the parties rescinded the Share Sale Agreement and Consultancy Agreement.

The consideration to be provided by Razorback Iron to Mintech under the TSA comprises the consideration formerly payable under the Share Sale Agreement and Consultancy Agreement, being:

- a \$250,000 deposit and \$4.7 million completion payment, paid by Razorback iron; and
- \$5 million on successful completion of a Pre-Feasibility Study;
- \$20 million on successful completion of a Bankable Feasibility Study; and

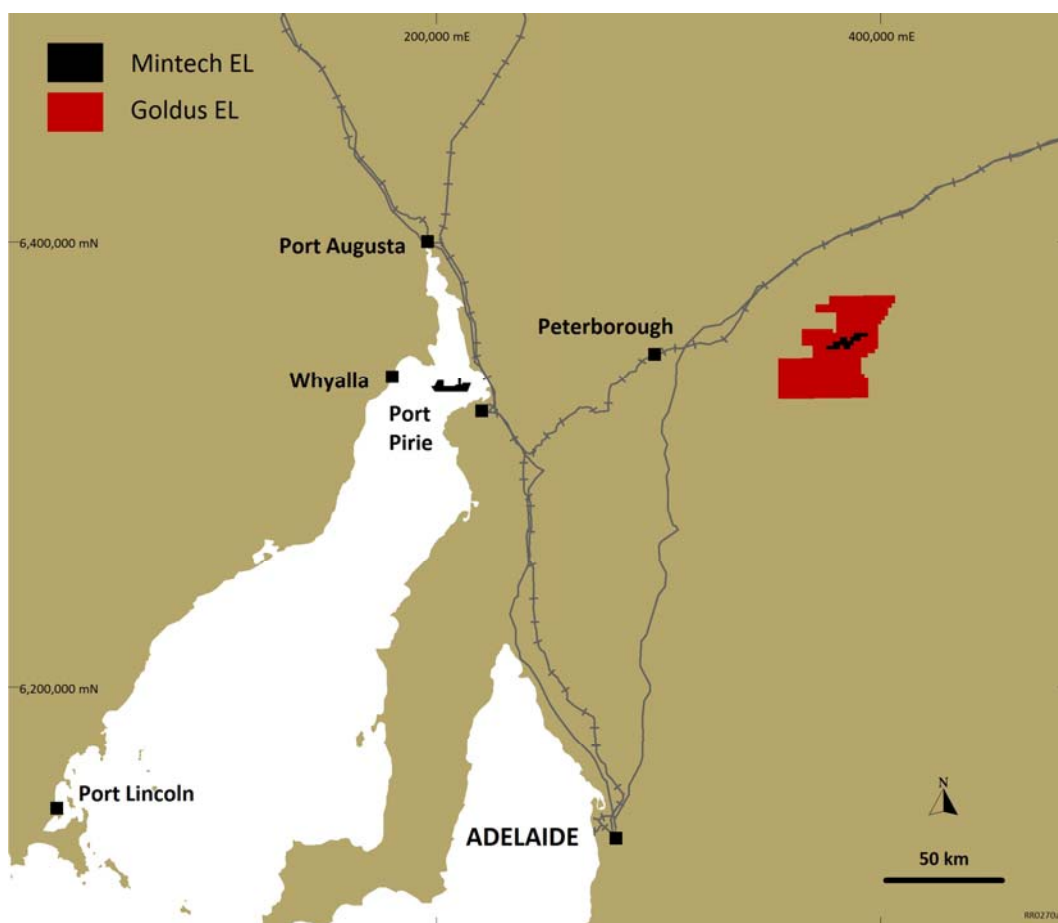
- if a Decision to Mine is taken by Razorback Iron, a royalty of 1.25%, calculated on the same basis as royalty payable to the South Australian Government on minerals.

Razorback Iron will now apply to the South Australian Minister for Mineral Resources Development for Ministerial approval of the transfer of EL4267 to Razorback Iron and, once Ministerial approval is obtained, Razorback Iron will then apply to be registered as the holder of EL4267.

The restructure to the transaction affords the shareholders and stakeholders a great degree of security and the outcome is not materially different to that announced on 16 September 2009.

Royal's right to acquire EL3997 and EL3927, held by Goldus Pty Ltd (**Goldus**), pursuant to the Option Deed announced to the market on 16 September 2009 remains unchanged. On 17 November 2009, Royal paid the first year's option fee to enable iron exploration work to start on the Goldus tenements.

Figure 1: Project Location



Proposed Work Schedule

A high resolution aeromagnetic survey is scheduled to start during the first week of December, whilst a geological mapping programme is underway now. Data from these activities will be used to help target a +10,000 metre drilling campaign to start early in 2010. Baseline fauna and flora studies, together with hydrological studies, are expected to be commissioned by that time also.

Royal intends to fast track both resource development drilling and feasibility studies to bring Razorback into production in the shortest time possible.

The Razorback Iron Ore Project

The Razorback Iron Ore Project occurs in east-central South Australia (Figure 1). The project is potentially a very large magnetite deposit that will be easy to beneficiate and able to use existing, open access and under-utilised rail and port. The project occurs only 40 kilometres to the south east of the Broken Hill to Port Pirie section of the Indian-Pacific railway. This track has an immediately available and expandable capacity of 10 million tonnes per annum and services the open port of Port Pirie, 170 kilometres to the south west. The port retains an operational rail car tippler, stockyard capacity, and under-utilised wharf capacity. Close by, at Port Bonython, the State Government is planning a bulk handling facility which may also be available to a potential Razorback operation. A number of towns occur within 100km of the project area. The project can be serviced from these towns, minimising the need to construct a stand-alone mine village. Electricity and gas are available at Peterborough, less than 80 kilometres from the project. **This easy access to existing infrastructure is exceptional amongst magnetite projects in Australia, giving Razorback a unique opportunity for fast-track, low CAPEX development.**

Razorback Ridge was evaluated by the South Australian Government in the late 1960s¹. Geological mapping, surface sampling, drilling, adit development, and metallurgical testing at that time identified outcropping magnetite mineralisation over a strike length of 4.5 kilometres and extending a further 10 kilometres to the east. On the basis of this work Royal is targeting 500 to 1,000 million tonnes of magnetite mineralisation at grades of 28% to 65% Fe². Royal has secured the lease over the Razorback iron deposit in addition to in excess of 1,450 square kilometres of surrounding leases held by Goldus and subject to an Option Deed giving Royal the right to explore for iron ore. The Goldus ground holds in excess of 100 strike kilometres of untested magnetite host rock that provides Royal with significant exploration upside (Figure 2).

Metallurgical testing completed in 2005 indicates that the Razorback mineralisation:

- is readily beneficiable to Blast Furnace grade magnetite concentrate (>63% Fe) at a coarse grinding size (>106µm),
- is beneficiable to Direct Reduction Iron grades (>65% Fe, <2% Al + Si) at lower grind sizes (>75µm),
- produces a high per cent weight yield (>40%), and
- produces a concentrate that is very low in contaminants (typical blast furnace grade DTR assay: 65.04% Fe, 5.42% SiO₂, 0.57% Al₂O₃, 0.01% P₂O₅, 0.07% TiO₂, and 0.28% MgO).

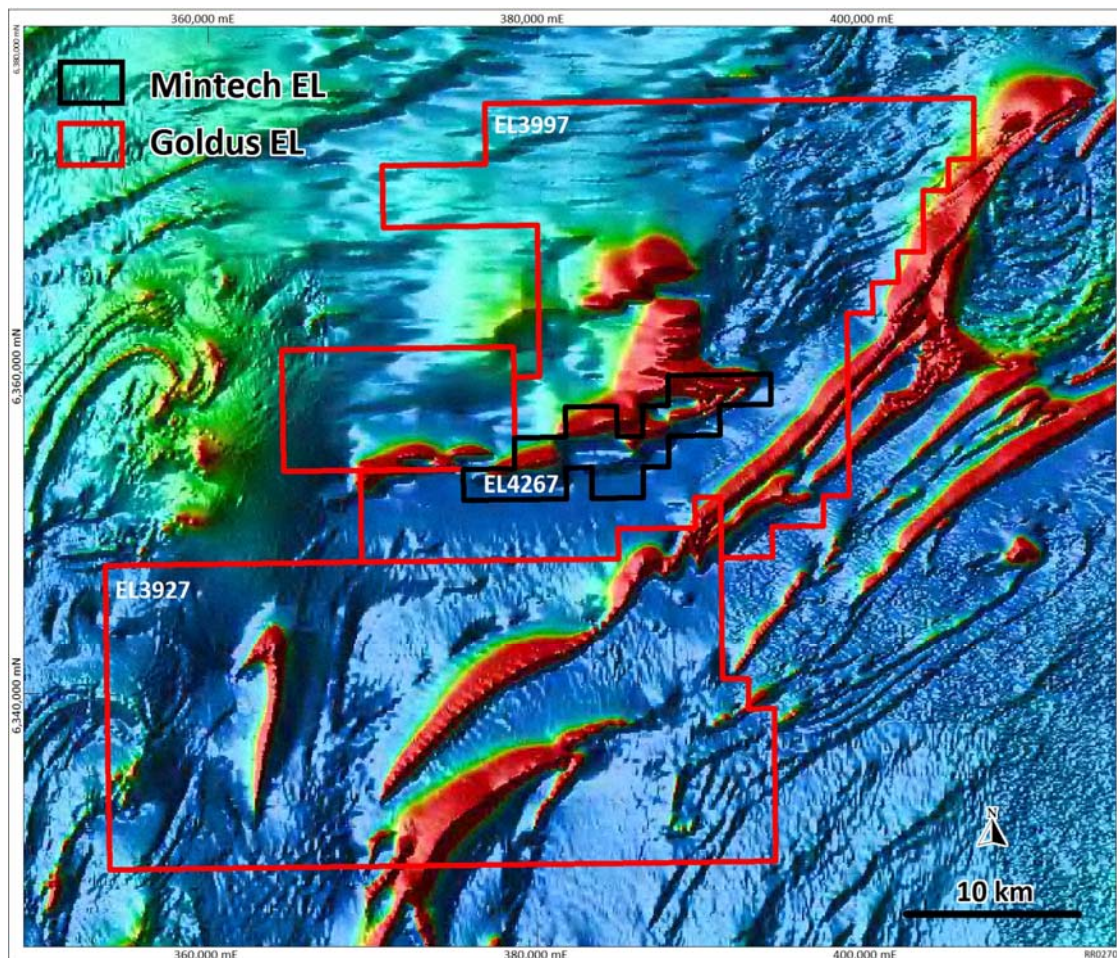
The low deleterious elements will make the Razorback product very attractive to end-user steel makers.

The project also has the advantages of occurring in the highly resource-development supportive state of South Australia, attracts some of the lowest state government royalties in Australia and has reduced Native Title and environmental risks compared to similar iron projects in Australia. An initial near-zero stripping ratio and potentially excellent rock fragmentation suggests a low mining cost.

¹ Report of Investigations No. 33, SA Dept. Of Mines, 1970

² ASX announcement by Royal, 16 Sept 2009. The potential quantity and grade of the exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Figure 2: Image of the Total Magnetic Intensity. The red areas reflect the magnetite-rich sediments in the project area and map out the extent of the Braemar Iron Formation.



Joint Venture with Sin-Tang Development Pte Ltd

On 8 October 2009, Royal announced it had signed a Memorandum of Understanding with Singapore based investment and trading company Sin-Tang Development Pte Ltd. Sin-Tang is closely aligned with two iron and steel producers in Hebei Province, China. Sin-Tang's ownership in magnetite from EL4267 and EL3997 will increase to 50% through staged payments to Royal. On Royal attaining 250Mt JORC compliant Inferred Resources Sin-Tang will pay Royal \$10 Million and achieve 13.64% ownership of the project. On delivery of Pre Feasibility and Bankable Feasibility Studies Sin-Tang will pay Royal \$20 Million to earn an additional 18.18% interest in the project. These payments will be used to advance the project and meet the Consultancy Agreement payments. Royal is the operator/manager of the JV.

On a decision being taken to proceed to project development, Sin-Tang will use its best endeavours to secure debt funding for Royal on terms equivalent to those available to Sin-Tang.

Royal retains exclusive access to EL3927 for iron ore exploration and development. Royal also retains the right to all hematite, goethite and limonite ore on all three exploration licences.

The details contained in this report 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 this report of the matters based upon his information in the form and context in which it appears.

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