

## ASX Announcement: ROY

30 January 2008



### SECOND QUARTER ACTIVITIES & CASHFLOW REPORT 31 DECEMBER 2008

#### IRON ORE

- Assay results from Phase Two drilling at Shine have been received. A third phase of drilling is planned for the first half of 2009.
- Baseline environmental surveys have been completed for Shine.
- Ground magnetic surveying has been undertaken on the Tallering tenement as a follow up to the aeromagnetic interpretation and as a prelude to drill hole targeting.

#### URANIUM USA

- Samples from the recently completed drilling program on the Egnar and Wray Mesa Blocks have been submitted.
- Drilling at Hop Creek by previous explorers has been assessed and followed up with two drill holes.
- The high resolution aeromagnetic and radiometric survey over the Egnar Block has been completed.
- Airborne electromagnetic surveying has been completed on 23 collapse breccia pipe targets in the Arizona Strip.

#### CORPORATE

- Three tenements comprising Royal's Prairie Downs Project in the eastern Pilbara were sold for approximately \$3.2 million, fulfilled in cash and shares.

Royal Resources Limited ("Royal") is an active explorer of premium grade iron ore in Western Australia and high-grade uranium in the United States of America. Focus on these commodities is maintained through the deployment of dedicated exploration teams operating in these two distinct geographical areas.

Activities during the second Quarter have been directed towards prioritising exploration targets in response to the Global Financial Crisis. Overhead cost cutting and deferral of activities on all but the best prospects has put Royal in a good position to not only weather the current economic storm, but take advantage of any compelling opportunities that arise from it.

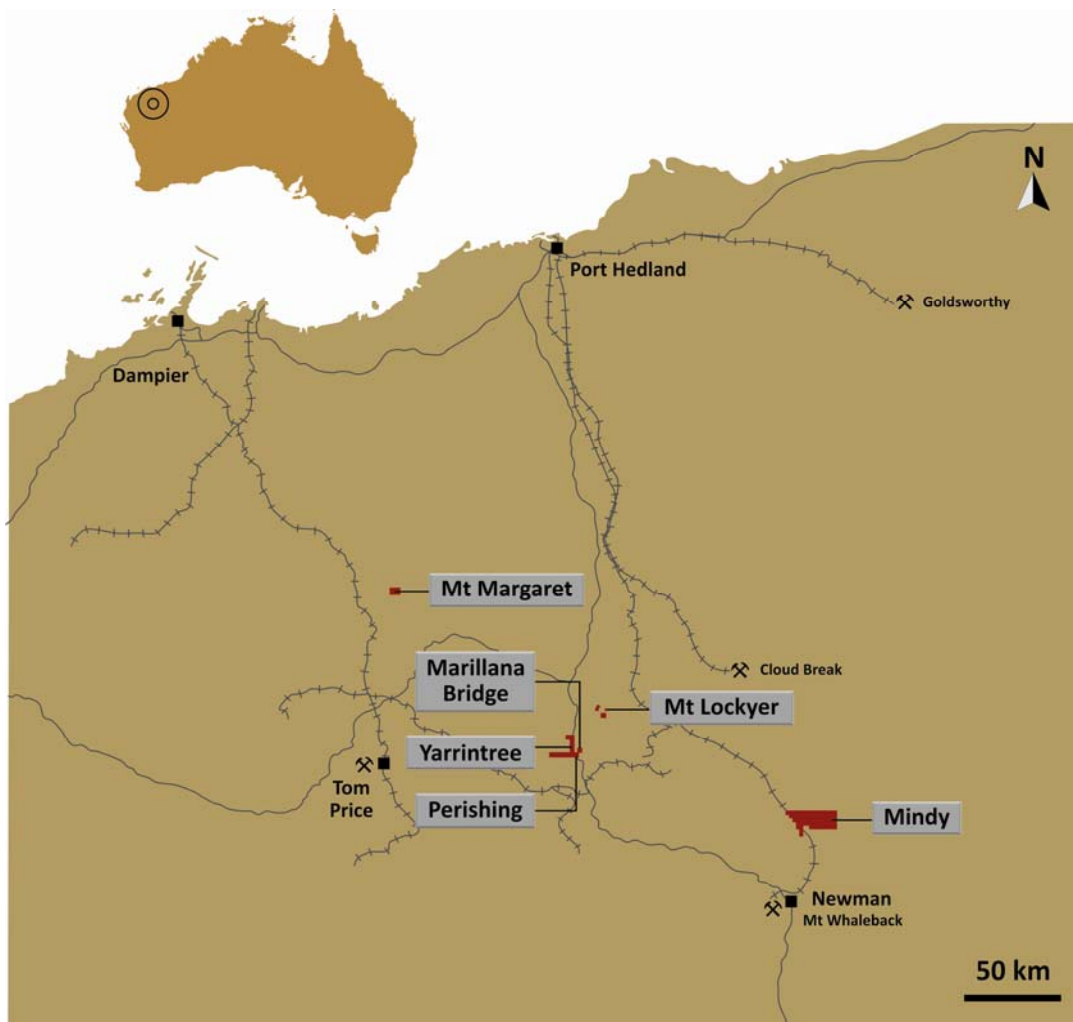
Royal continues to add to the tenement holdings in both of these areas while at the same time assessing existing assets to ensure they fit into Royal's strategic plan.

A summary of the work completed on each of Royal's major exploration projects is outlined below.

## PILBARA IRON ORE PROJECTS

Royal holds a 100% interest in six tenements in the Pilbara region where the focus is on exploring for high grade iron ore (Figure 1).

*Figure 1 – Royal's Pilbara Tenement holdings at 31 December 2008*



### **Mt Margaret E47/1611**

Aerial field reconnaissance of the tenement has confirmed the difficulty in gaining access to this tenement. The Channel Iron Deposit potential for this area was interpreted as low from that reconnaissance while the potential for a Detrital Iron Deposit remains. On the ground field work will be undertaken in 2009.

### **Yarrintree ELA47/1927**

No work has been undertaken on this tenement pending its granting.

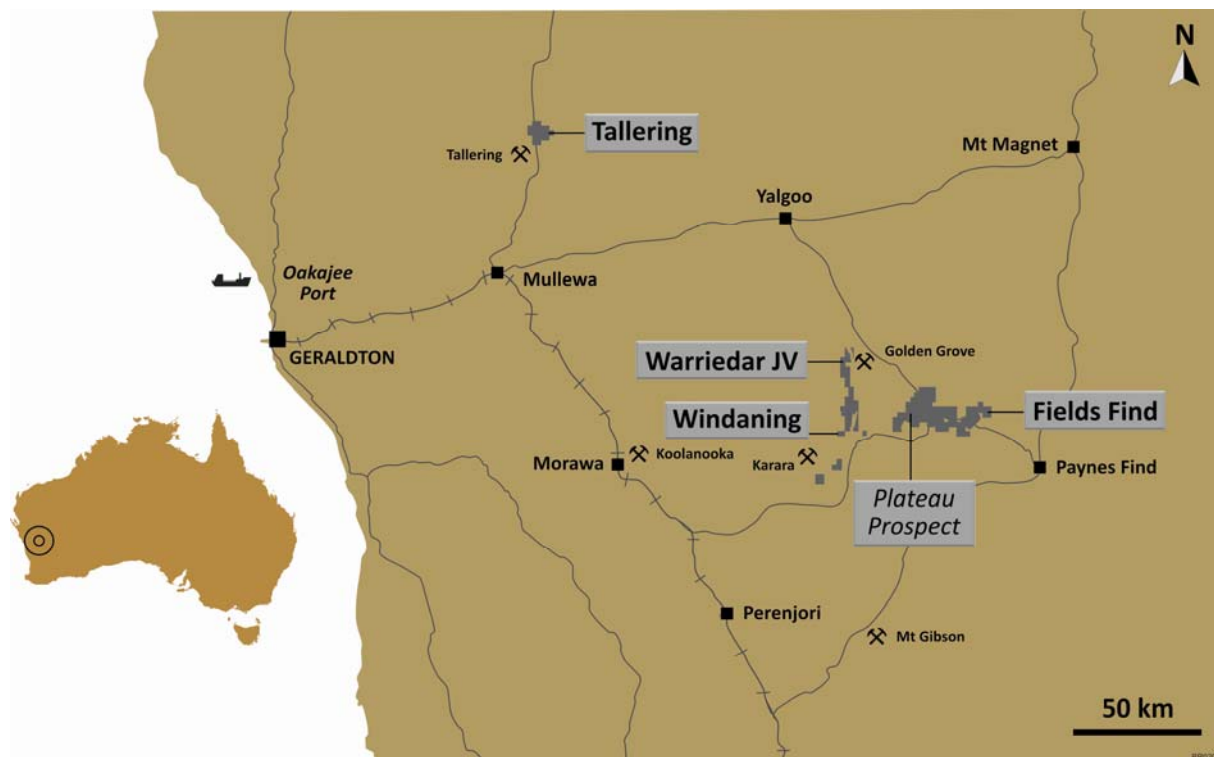
### **Mindy E47/1615, Mt Lockyer E47/1612, Marillana Bridge E47/1613 and Perishing E47/1614**

No work has been undertaken on these tenements.

## MID WEST IRON ORE PROJECTS

In the Mid West, Royal holds 459 square kilometres, incorporating 38 exploration licences, mining leases, and prospecting permits (Figure 2). Of these 137 square kilometres are in the Warriedar Joint Venture with Gindalbie Metals Ltd, in which Royal has a 40% interest and 322 square kilometres are 100% owned by Royal. The target in all is for premium, DSO hematite iron ore.

**Figure 2 – Royal's Mid West Tenement holdings at 31 December 2008**



### Warriedar Joint Venture

Activities by the manager of the Warriedar Joint Venture, Gindalbie Metals Ltd, have been one of consolidation of assay results outstanding from drilling completed during the past Quarter and continuation of regional assessment work. This included the continuation of a mapping and sampling programme, particularly around areas of high grade hematite outcrops. Geophysical coverage of the area was improved with the Shine-Lister areas being covered by a high definition aeromagnetic survey, augmented by detailed ground magnetic surveys.

Significant assay results received for the Shine Prospect during the Quarter are listed in Table 1. Drilling in 100% Gindalbie ground indicates the Shine mineralisation is open to the north where it may re-enter Warriedar JV ground. Preliminary resource modelling using incomplete assay results has nonetheless been undertaken on Shine to determine the requirements for additional drilling to bring the mineralisation to an Inferred Resource category. This third phase of drilling has been designed and Programme of Work submitted to the Department of Mines and Petroleum (DMP) for Shine. A slow response by DMP and referral to the Environmental Protection Agency has delayed the programme from December to February at the earliest.

A draft of the Economic Evaluation Study (EES) on the proposed Shine Initial Mining Area (Figure 3) has been delivered. The study identified the key sensitivities that apply to the project. It is not intended to finalise the Study until:

- The outcome of the 2009 reference price negotiation is known and how that impacts supply and demand;
- Access to transport infrastructure is clarified; and
- The resource estimate is finalised.

In the meantime, baseline environmental data collection for flora, fauna, water, and dust has commenced and will be completed in the next Quarter. This dataset will form the basis for preparation of submissions to EPA WA to support the ARI level of assessment of the Shine development.

Further drilling at Lister has been deferred pending the results of the Shine EES. An interpretation of the drilling results, geological mapping and sampling will be undertaken as a prelude to any additional field work. Assays pending since the last Quarterly have been received with significant results shown in Table 2.

**Table 1: Significant Intercepts – Shine Prospect**

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%	LOI%
SND006	493900	6808500	157	178	21	64.76	2.49	0.96	0.118	0.012	3.38
SND020 <sup>1</sup>	493951	6808120	69	75	6	60.01	5.03	2.99	0.103	0.007	5.51
			76	79	3	62.78	5.63	0.95	0.025	0.004	1.77
SND025 <sup>2</sup>	493948	6808299	166	173	7	56.63	7.03	2.31	0.013	2.930	6.86
			192	201	9	55.52	10.65	0.95	0.075	0.078	5.49
SND052 <sup>3</sup>	493826	6808717	118	137.2	19.2	59.99	7.21	0.91	0.167	0.015	5.09

Notes: Calculated using 57% Fe cutoff and maximum 2m internal dilution. Co-ordinates in MGA94 Zone 50.

1 - Collar of Hole SND020 is in 100% Gindalbie owned ground, but extends into the JV area after 28.5m.

2 - Collar of Hole SND025 is in 100% Gindalbie owned ground but extends into the JV area after 42m.

3 - Hole SND052 is in 100% Gindalbie owned ground, but was drilled along the JV tenement boundary along strike.

**Table 2: Significant Intercepts – Lister Prospect**

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%	LOI%
LRC025	493300	6802550	66	68	2	60.00	5.98	2.20	0.117	0.013	3.69
LRC027	493149	6802352	26	29	3	62.95	4.32	3.56	0.019	0.013	2.11
LRC028	493200	6802350	43	74	31	60.61	5.08	3.15	0.064	0.039	4.07
			80	82	2	60.72	6.37	2.71	0.101	0.012	1.68
LRC031	493101	6802151	44	48	4	62.03	4.47	3.26	0.020	0.010	3.16
LRC032	493151	6802151	32	34	2	59.00	8.12	2.92	0.013	0.025	4.18
			98	101	3	60.58	5.84	2.80	0.113	0.010	2.55

### Tallering E59/1117

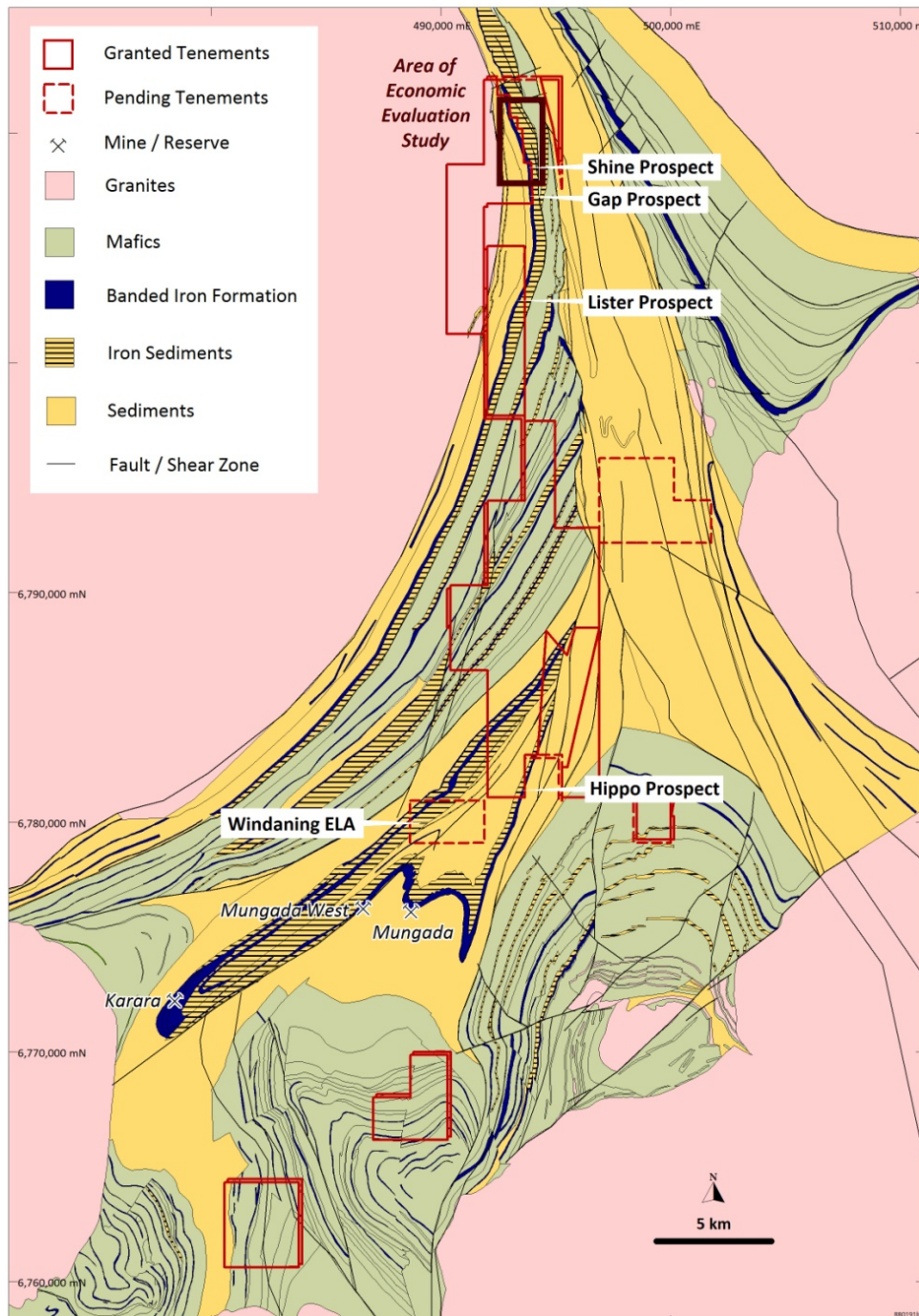
A re-interpretation of the aeromagnetic data over E59/1117 had highlighted iron ore opportunities on this tenement. Regional interpretation indicates that a continuation of the host rock to Mt Gibson's Tallering Peak iron ore mine culminates in a fold closure on Royal's ground.

Reconnaissance geological mapping and a ground magnetic survey were undertaken on portions of the tenement to follow-up the regional interpretation. The magnetic survey was on 50 metre spaced north-south lines using a 0.5 second reading cycle delivering a reading interval of approximately 0.5 metres. Approximately 62.6 kilometres of data was collected. A series of prioritised drilling targets have been defined as a result and a Programme of Work submitted to the Department of Industry and Resources for a planned drilling campaign in 2009.

### Windaning ELA59/1522

No work has been undertaken on this tenement pending its granting.

**Figure 3 – Warriedar JV Tenement and Prospect Location Map at 30 September 2008**



## USA URANIUM EXPLORATION

Royal's exploration activities in the USA are covered by a "master joint venture" with Lynx E&M LLC known as the Lynx-Royal JV LLC (L-R). Royal controls 80% of the joint venture and, since the last reporting period, has taken over direct management of L-R. Staff, office rental, capital equipment, and exploration activities have now been optimised to ensure all costs have been considerably reduced while allowing the projects of merit to proceed.

L-R hold in excess of 2,500 claims, covering approximately 198 square kilometres, in the Uravan Belt, a highly prospective and historically productive uranium rich region of the Colorado Plateau. The claims are grouped into the Egnar, Wray Mesa, and La Sal project areas (Figure 4).

L-R has entered into two joint ventures with Energy Fuels Resources (EFR), a public company listed on the Toronto Stock Exchange, known as the Arizona Strip Partners JV (ASPJV) and the Colorado Plateau JV (CPJV). Both are on the basis of a 50:50 interest.

### **Egnar**

The Egnar drilling programme has now concluded for the year with 28 holes and two hole extensions completed for a total of 3,232 metres. All holes have been wireline logged with natural gamma logs and samples of anomalous intercepts sent to a laboratory for geochemical assaying. An assessment of the sedimentary facies intersected in those holes is being done over the northern winter.

A high resolution, low-level aeromagnetic and radiometric survey has been completed over LG Block of Egnar. The survey is being used as a test to determine the efficacy of this geophysical method to map the Salt Wash Member, the host to the majority of uranium resources in the Uravan Belt. As it was envisaged that signal levels would be low in this sedimentary environment considerable data enhancement has been planned and is now being undertaken.

### **Wray Mesa**

Drilling at Wray Mesa has concluded for the year with nine drill holes, for a total of 1,841 metres, completed. Samples from the additional three holes reported since the last Quarterly have also been submitted for geochemical assays.

### **La Sal - Colorado Plateau Joint Venture**

The CPJV hold claims within the Uravan Belt and is managed by L-R alongside its own extensive Uravan holdings.

Initial follow up drilling of mineralisation at Hop Creek has been undertaken with the completion of two drill holes for 564 metres. Previous exploration work by Hunt Oil and Climax Uranium in the early 1960's intersected mineralisation in the range 0.12 to 0.75%  $U_3O_8$ . Downhole wireline logging indicates anomalous uranium. Samples have been submitted and assays are awaited.

### **Geolynx Joint Venture**

L-R is in joint venture with Geomininc, known as the Geolynx Joint Venture, to explore for uranium in the Thirty Nine Mile Volcanic Field in central Colorado. Royal is earning in to 64% of this JV.

All work on this JV has been suspended for the last two Quarters pending the outcome of County opposition to uranium mining in this district. While it is anticipated that such opposition will relax with the imposition of conditions, the Directors of Royal feel it is prudent to await the outcome of the County's deliberations.

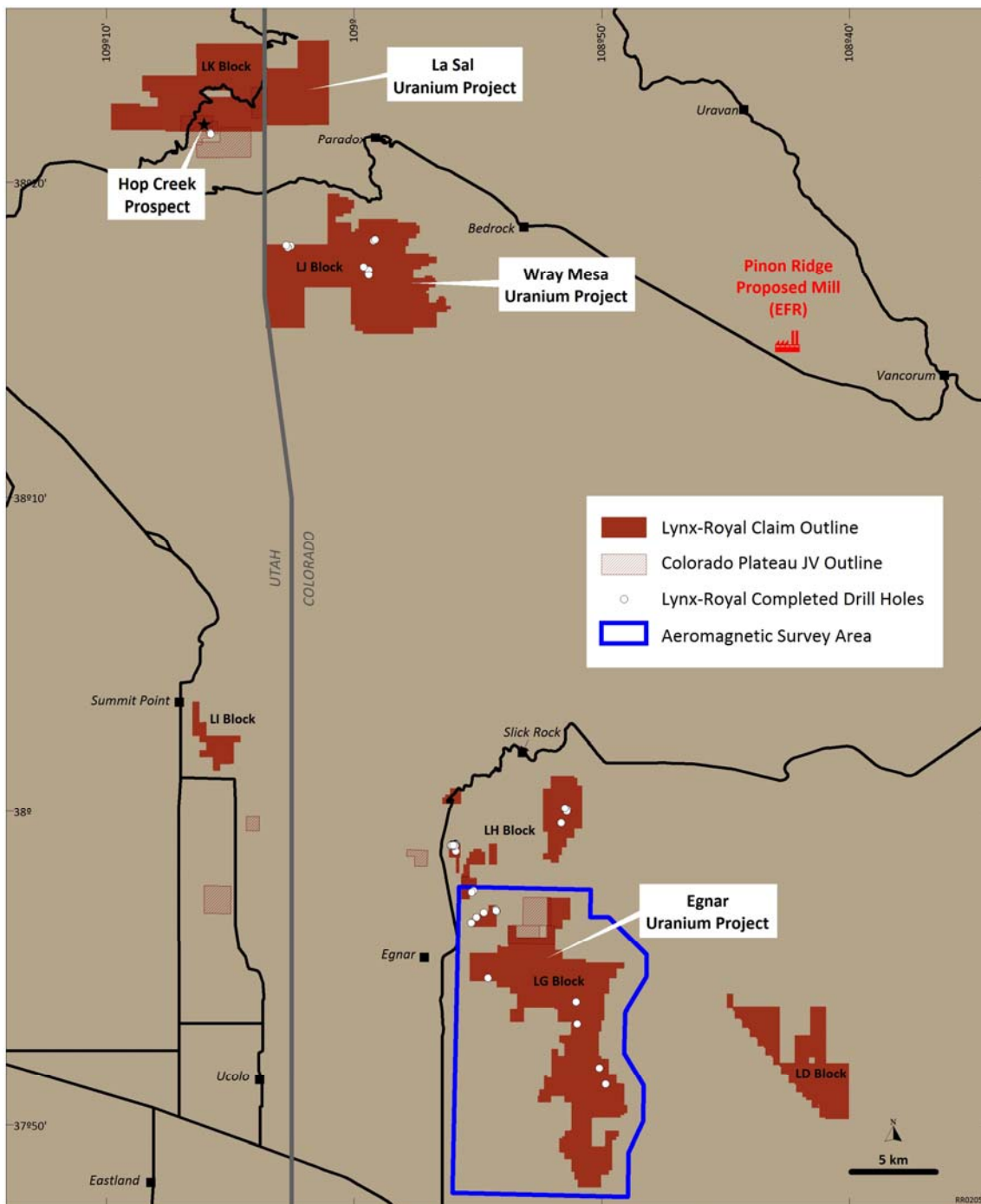
### **Arizona Strip Joint Venture**

The ASPJV, of which Energy Fuels Resources is the operator-manager, is exploring for collapse breccia pipe uranium in the Grand Canyon area of Arizona, USA. This style of uranium is particularly high grade with historic mining grade average of around 0.65%  $U_3O_8$ .

An airborne Time Domain Electromagnetic (TDEM) survey was completed over 18 areas covering 23 interpreted collapse breccia pipes. The system used was VTEM and the surveying was completed on 13 November, 2008. Final data is now being awaited before modelling is undertaken to define possible drilling targets.

The ASPJV continues to assess numerous property offerings in the area.

**Figure 4 – Egnar, Wray Mesa and La Sal Projects, activities to 30 September 2008**



**CORPORATE**

In October 2008 Royal sold the tenements E52/1604, E52/1911, and E52/1912, making up the Prairie Downs Project to Giralia Resources NL for \$2,000,000 cash and 1,000,000 Giralia shares.

For further information contact:

**Marcus Flis**  
**Chief Executive Officer**  
**+61 8 9322 8542**

The information contained in this report that relates to exploration results, mineral resources or ore resources is based upon information compiled by Mr Marcus Flis. 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Flis is a full time employee of the Company and consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

**ROYAL RESOURCES LIMITED**

ACN

**34 108 102 432**

Quarter ended ("current quarter")

**31 DECEMBER 2008**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(1,160)	(3,285)
(b) development	-	-
(c) production	-	-
(d) administration	209	(203)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	68	126
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(883)</b>	<b>(3,362)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(2)	(23)
1.9 Proceeds from sale of:		
(a)prospects	2,000	2,000
(b)equity investments	-	-
(c)other fixed assets	62	62
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – placement of security deposits	(27)	(98)
Other - Payment for Licences and Software	(27)	(37)
<b>Net investing cash flows</b>	<b>2,006</b>	<b>1,904</b>
1.13 Total operating and investing cash flows (carried forward)	1,123	(1,458)

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	1,123	(1,458)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	1,123	(1,458)
1.20	Cash at beginning of quarter/year to date	3,026	5,607
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,149	4,149

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	66
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Not Applicable

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
<b>Total</b>	<b>250</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	239	1,151
5.2 Deposits at call	3,910	1,875
5.3 Bank overdraft	-	-
5.4 Other (bank guarantees)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,149</b>	<b>3,026</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	Warriedar	Nil	40%

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	-	-	-
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities	92,460,720	-	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities (description)	-	-	-
7.6	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through securities matured, converted	-	-	-

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	39,730,858	39,730,858	\$0.20	11/07/2009
	4,800,000	-	\$0.20	31/01/2011
	295,000	-	\$0.32	30/04/2009
	6,750,000	-	\$0.50	30/06/2012
	250,000	-	\$0.34	10/01/2011
	1,350,000	-	\$0.50	15/01/2011
	500,000	-	\$0.20	9/03/2010
	500,000	-	\$0.40	9/03/2010
	1,500,000	-	\$0.25	06/04/2011
	1,500,000	-	\$0.30	06/04/2012
	1,500,000	-	\$0.50	06/04/2013
	420,000	-	\$0.34	30/06/2011
	3,000,000	-	\$0.30	30/11/2013
	100,000	-	\$0.08	31/12/2011
/7.8 Issued during quarter	3,000,000	-	\$0.30	30/11/2013
	100,000	-	\$0.08	31/12/2011
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:  
(Director /Company Secretary)  
Print name: FRANK DE MARTE

Date: 30 January 2009

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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