ROYAL
RESOURCES LIMITED

2013

ANNUAL REPORT

Contents

Dear Shareholders,

Despite a severe downturn in the sharemarket generally, we at Royal Resources Limited (Royal) maintained a positive viewpoint on your Company and our main project at the Razorback Premium Iron Project in South Australia.

Most people are of the viewpoint that iron ore is not in great demand and that prices are less than profitable, this is far from the facts of the matter. A graph appearing later in this Annual Report clearly demonstrates prices have remained consistent along with demand.

This state of affairs will not continue forever as our market capitalisation at the moment in my opinion clearly does not recognise the underlying value of the Company mainly through its interest in the Razorback Premium Iron Project.

During the last twelve months we have completed a Pre-Feasibility Study (PFS) and increased the resource base of the project and it now stands at 2.7 Billion Tonnes at 15.3% eDTR, containing 418 Million tonnes of 67% Fe magnetite concentrate equivalent, a significant resource indeed!

The Red Dragon Venture now holds a resource inventory of 3.9 Billion Tonnes at 19.7% Fe, one of the largest magnetite resources in Australia.

The completion of the PFS took up the bulk of the company's activities throughout the year and once it was to hand the Executives and Directors renewed discussions with a number of local and overseas parties concerning possible joint ventures and product off-take agreements. There has been interest and this is ongoing almost on a daily basis. The Board is aware of the fact that to remain viable whilst these actions are being continued, we ensure the Company maintains a core staffing level but wind back our levels of exploration to preserve cash levels for the Company's continuing existence.

The Directors are of the opinion that action taken now will ensure the Company's viability until such time as financial outlook improves.

I would like to thank our staff and Dr Gavin England, Andrew Mounas, Tony Heslop and our Managing Director, Marcus Flis for their dedicated efforts these past difficult twelve months.
I thank my fellow Directors, Frank DeMarte and Mal Randall for their advice and input this year.

In closing, I thank shareholders for their support and are confident we can present some reassuring arrangements on your Company in the short term.

Yours sincerely,

Phil Crabb
CHAIRMAN

REVIEW OF OPERATIONS

Summary of Highlights

Corporate

- Lodestone Equities Limited acquired the Sin Tang Development Pte Ltd's block of shares to become a significant shareholder in Royal
- Razorback Project Director appointed
- Royal issued quarterly newsletters to keep shareholders and stakeholders informed of Razorback progress
- Royal a winner of the Premier's Community Excellence Award

Red Dragon Iron Ore

- The global Mineral Resource for the Red Dragon Venture is 3.9 Billion tonnes at 19.7% Fe
- Razorback Premium Iron Project (RPIP) total resource is 2.7 Billion tonnes at 18.2% Fe, 15.3% eDTR, containing over 418 Million tonnes of 67% Fe magnetite concentrate equivalent
- Prefeasibility study of RPIP successfully delivered.
- Optimisation work on the Base Case has commenced, with significant potential to substantially improve the economics of the project
- Work underway towards a Mining Lease Application at Razorback
- 1,197Mt at 23.2% Fe Inferred Resource upgrade announced for the Ironback Hill Prospect

Exploration

- A shift in focus away from uranium, given the current low demand in the commodity
- Iron ore potential identified at the Waterhouse West Tenement in the Northern Territory
- Gold exploration underway in the George Tenement, Pine Creek Northern Territory
- New Greenfields projects generated along the western margin of the Gawler Craton South Australia, with ground showing potential for Au, Ni-Cu, Fe and Potash
- A strategic decision was made to exit the Fields Find Project, Western Australia

Operational Activities

Royal is a mineral exploration company, transitioning to mine developer. Our flagship project is the huge South Australian Razorback Premium Iron Project (RPIP), within the Red Dragon Venture.

During the past year, work on this project has switched from resource definition drilling, defining one of the largest deposits in Australia, to the completion of a Pre-feasibility Study (PFS) and now the optimisation of the PFS to improve the economics of the project.

Royal has exited from the Fields Find Project in WA, but retains the Watertank Project in WA and tenement holdings in the Northern Territory, where there has been a change of focus from uranium to other commodities, such as gold and iron.

Royal has also embarked on project generation in South Australia where it has a number of prospective tenements under application. As announced in last year's annual report, Royal's USA uranium holdings were vended into the Toronto Stock Exchange listed company Aldershot Resources Ltd (TSX:ALZ) last year. Readers should refer to Aldershot's annual report for a summary of activities associated with those properties.

Corporate

Strategy

Royal is funded by its shareholders and asset sales. The company's strategy is to pursue mineral commodities that it believes can return shareholder value through development into a mining operation. Where project development post exploration is not deemed viable under the company's criteria, the project is sold to enable the company to focus on those that are likely to succeed.

This strategy has seen Royal take control of the Red Dragon Venture while exiting the Pilbara and Mid-West in WA. Within a period of three years, Royal has taken the Red Dragon Venture from an exploration target to a JORC-compliant magnetite resource of 3.9 Billion tonnes and completed a Prefeasibility Study on the flagship area, the Razorback Premium Iron Project.

Business Objectives

With the finalisation of resource definition and Prefeasibility Study at the RPIP, Royal's objective is to now find a strategic, financing partner to develop it into an +8 Million tonnes per year magnetite concentrate producer. This will be done by offering direct ownership in the project through funding of the Feasibility Study and committing to debt funding for project construction. Iron ore pricing and, more significantly, views on economic growth and therefore iron ore demand, will impact on Royal's ability to secure that partner.

Royal will continue to pursue other opportunities, including magnetite prospects in the Red Dragon Venture, but also opportunities in other commodities to ensure Royal is not locked in solely to the future prospects of iron ore.

Over the next year, Royal expects to focus principally on the promotion of the RPIP while progressing low-cost exploration both in the Red Dragon Venture and the other areas described in this report.

Managing Risk

The predominant risk associated with the Company is financial survival. This is being managed through the normal budgeting process. However, due to the demanding market conditions we are now experiencing, that budgeting process has been extended beyond the normal one year time frame. Royal has sufficient funds at hand to see us through to the start of 2015.

Future Prospects

Royal is confident that a partner for the RPIP will be secured over the next twelve months. All greenfields exploration is relatively early phase with drilling, particularly in commodities other than iron, unlikely to be a major component of our activities during 2013/2014.

The Iron Ore Market

Much has been written in the media on the apparent weakness in the seaborne traded iron ore market. Royal's view is that the iron ore market represents a substantial opportunity for Royal and the RPIP. This view is based on the increasing signs of growth in the world's economy, in general, and continued growth in China and Asia specifically. Whilst China's growth, forecast in the range of 7.25% to 7.75%, has been questioned, this growth is off a very much larger base than was the case when growth was above 10%. It is Royal's view that growth in iron ore demand, in absolute terms, will continue apace. This is dramatically illustrated by China's monthly iron ore imports and domestic production which show a monotonic increase in the longer term (Figure 1). While there has been temporary weakness in the iron ore price, it nonetheless remains resilient and maintains a notional floor around US$120/t (Figure 2). Royal anticipates that the spot price will retain that floor price well into the future, albeit with periods of volatility.

Figure 1 - China's monthly iron ore imports and domestic production (in million tonnes) (Source: www.umetal.com, 31/7/13)

Figure 2 - Spot iron ore price, as CIF price into northern China, and Chinese domestic concentrate price in Tangshan (Source: www.umetal.com, 31/7/13)

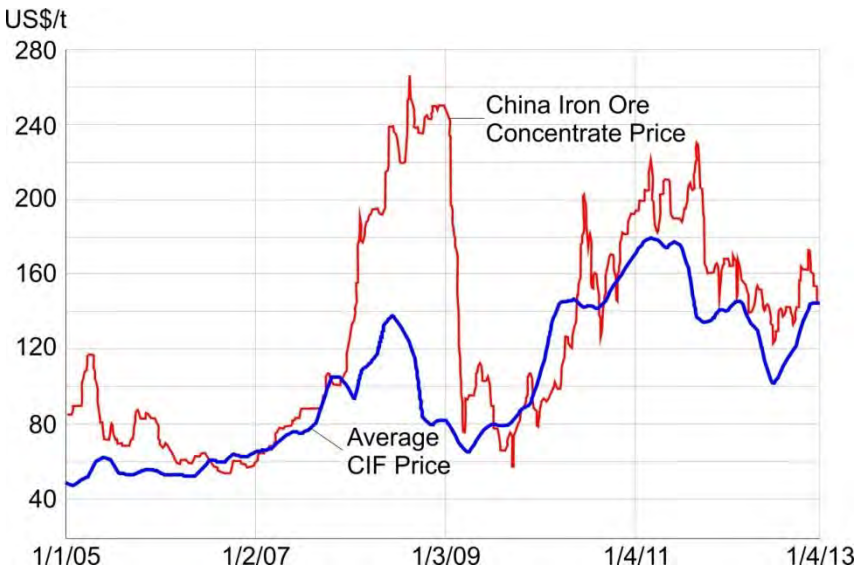
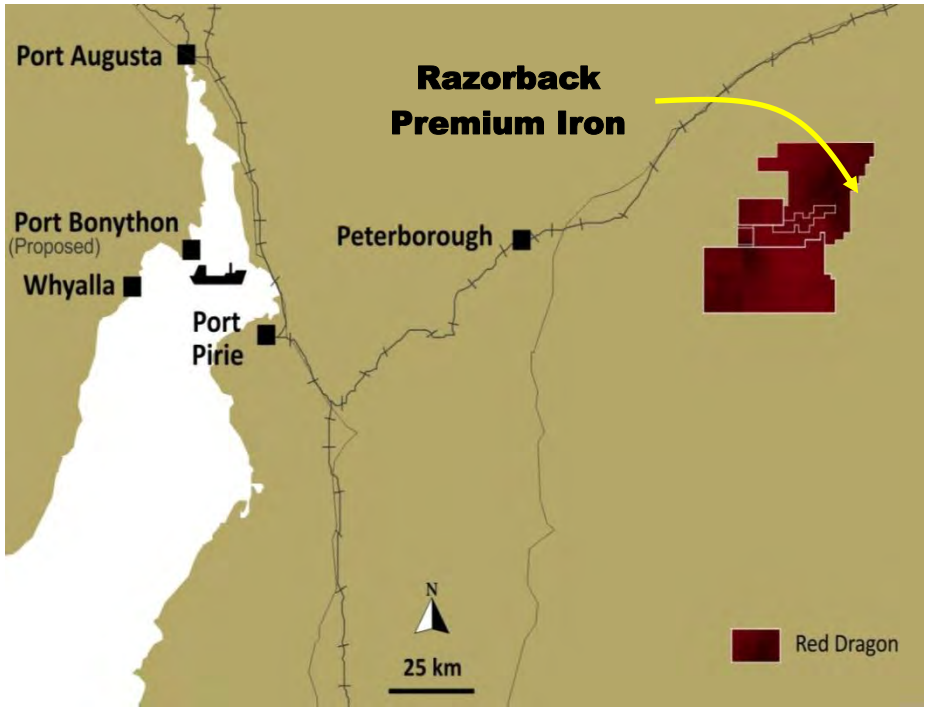


Figure 3 - Red Dragon Venture Location



Red Dragon Venture Iron Ore

The Red Dragon Venture is located 250km NNE of Adelaide, South Australia, and comprises a number of highly prospective iron ore targets (Figure 3). The Venture consists of four exploration licences: EL4267 and EL4811 are owned by Royal and cover the Razorback Ridge deposit and its extensions. EL5340 and EL5180 are exclusively optioned to Royal for iron ore exploration and development. Royal is focussing on the Razorback Premium Iron Project (RPIP), comprising the Razorback Ridge, Razorback West, and Iron Peak Prospects (Figure 4).

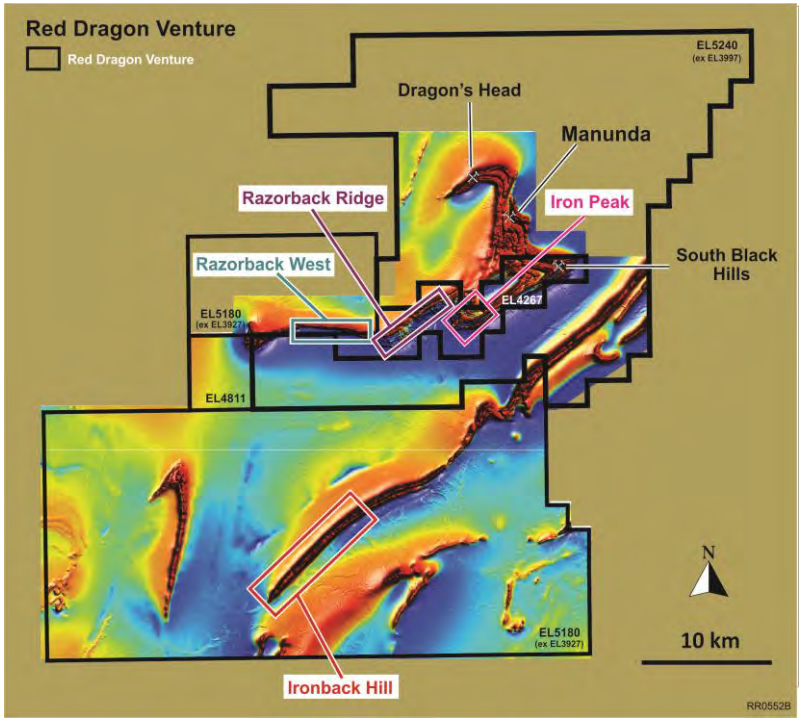
The extensive Braemar Iron Formation is the host rock to magnetite mineralisation on the project. This formation has a strike length of approximately 110km within the area controlled by Royal and has the potential to host an exploration target of 4.8 to 8.0 Billion tonnes at 18% to 45%Fe[1,2]. Surrounded by an infrastructure rich area that has access to nearby existing open user rail, port, power, gas, heavy engineering and dormitory towns, the project is likely to deliver a lower capital intensity project compared to similar projects in Australia.

Note:

1 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. The estimate of an exploration target tonnage should not be construed as an estimate of Mineral Resource.

2 Announced 24th March, 2011

Figure 4 - Aeromagnetic Image of the Red Dragon Venture, detailing the locations of the Razorback West, Razorback Ridge and Iron Peak (Razorback Premium Iron Project) and Ironback Hill Prospects



The Razorback Premium Iron Project

Activities at the RPIP over the past year have focussed on:

- confirming the substantial resource,
- completing the Prefeasibility Study (PFS),
- optimising the Base Case of this study to find improvements in the economics,
- beginning the processes of a mining lease application, and
- strengthening our community engagement.

These activities will lead the company to the next stage; a Feasibility Study and, on the raising of funds, construction of an operating mine and beneficiation plant.

Resource Upgrade

A Resource definition programme of approximately 36,000 metres of RC and diamond drilling has been completed over several drilling phases from April 2010 to June 2012 (Figure 5). Since the completion of drilling, further geochemical assaying, Davis Tube Recovery analysis and re-interpretation of geology has occurred. The latest resource upgrade, announced to the ASX on the 11th June 2013, was a JORC (2004)-compliant Total Resource of 2.7 Billion tonnes at 15.3% $_{e}$DTR[1], 18.2% Fe Head grade (Table 1). This equates to a contained 418 Million Tonnes (Mt) of 67% Fe Concentrate equivalent (Table 2). The recovery is at the relatively coarse grind size of 45 microns, coarser than that of the two recently completed magnetite mines in WA.

Table 1 - Total JORC (2004) Mineral Resource from the Razorback Premium Iron Project (11% eDTR cutoff)

Prospect	JORC Resource Classification	Million[2] Tonnes	$_{e}$DTR%*	Fe%	SiO_2%	Al_2O_3%	P%
Razorback	Indicated	833	16.0	21.7	45.2	7.3	0.20
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20.0	45.0	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8.0	0.16
Total	Mineral Resources	2,732	15.3	18.2	48.1	8.0	0.18

Table 2 - Razorback Premium Iron Project indicative product specification (45 micron grind size)

	Recovery	Million Tonnes	Fe%	SiO_2%	Al_2O_3%	P%	S%
Magnetite Product[3]	15.5%	418	67.4	4.74	0.54	0.016	0.003

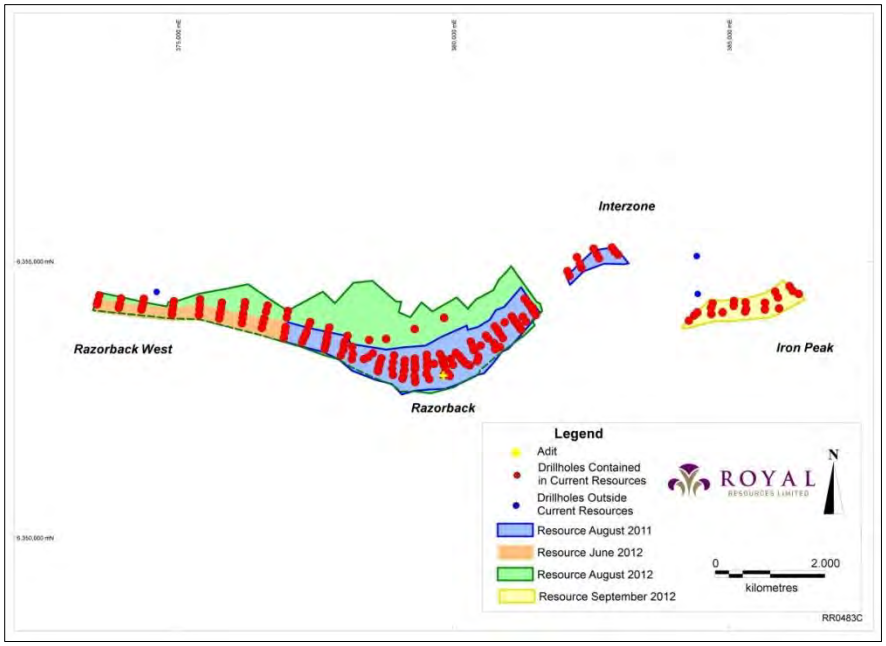
Note:

1 eDTR is the equivalent Davis Tube Recovery derived from calibrated magnetic susceptibility data and explained in ASX announcements on the 11th June 2013 and 10th July 2013.

2 Tonnages rounded to significant values; total may not appear correct as a result. The resource has been estimated in accordance with the JORC (2004) Code. The new ASX Listing Rules relating to the disclosure of reserves and resources based on the JORC (2012) Code will come into effect on 1 December 2013. * $_{e}$DTR or equivalent Davis Tube Recovery explained in ASX announcements on the 11th June 2013 and 10th July 2013.

3 Rounded to significant figures

Figure 5 – Area of Total Resource in the Razorback Premium Iron Project



Prefeasibility Study

Royal announced the successful completion of the PFS on the Razorback Project on 30 January 2013. The PFS includes detailed investigations, testing, design and cost estimates, with outcomes of the PFS captured in an extensive and detailed report. Major emphasis has been put on sound environmental management, and stakeholder and community management. The PFS was undertaken by a selection of world-class companies who are recognised experts in their fields.

The PFS has demonstrated that the RPIP, with a mining rate of 40 Million tonnes ore per annum (Mtpa) and a demonstrable recovery of 15.5%, the project would deliver 6.2Mtpa of high grade magnetite concentrate. Work is continuing to lift that output to 8.2Mtpa. The product is likely to attract a premium to the reference fines spot price and is ideally suited to pellet production.

An important feature of the PFS is that the Base Case is predicated on industry standard process in mining, beneficiation, and slurry pipeline transport to the coast. At the coast, however, Royal has opted to circumvent the cost and tonnage restrictions of Port Pirie by using direct slurry loading of a permanently moored Cape sized vessel (Figure 6). The slurry is dewatered on this vessel and stored for later transfer to an Ocean Going Vessel. Using this ship loading process, the project has been able to avoid considerable costs associated with the rail, port, and rehandling charges associated with standard port operations.

Figure 6 - Impression of the proposed Razorback Premium Iron Project dewatering transhipment vessel

Optimisation

Optimisation studies have commenced on a number of initiatives, which collectively have the potential to substantially improve the economics of the RPIP. These include:

- Lowering mining costs through:
  - (i) In-pit crushing and use of conveyors to replace the up to 40 haul trucks that will be required for the mining operation;
  - (ii) The use of high productivity continuous surface miners in areas where ore and waste are sufficiently soft, in lieu of conventional drill and blast operations; and
  - (iii) Safe steepening of open pit wall angles to further reduce strip ratio
- Lowering tailings disposal and water supply costs through assessing tailings thickening technologies that allow dry stacking of mine tailings and deliver up to a 60% reduction in water requirements
- Third-party outsourcing of utilities and concentrate transport infrastructure.

Mining Lease Application

The Mining Lease Proposal (MLP) process commenced in October 2012 and will continue through 2013. Royal has engaged Parsons Brinckerhoff in Adelaide to assist in the preparation of the MLP, the prelude to applying for a mining licence. The work to date has included interaction with government agencies and Traditional Owners, baseline environmental surveys, and community engagement.

Community

Royal is developing a range of community partnered projects. Dealing with mental health in the bush, eradication of weeds in our waterways, and providing training for future employment for people in regional areas are just some examples. Royal has also supported local events and sporting teams, including the Yunta Easter Tennis Tournament, Yunta Races and Gymkhana, Yunta Big Bore Rifle Club, the Yunta Swimming Pool, and Burra 'Monster Mines' Festival. These projects were implemented as part of Royal's own philosophy of being proactive in identifying community issues within the region, through consultation with the local and regional groups, and being an instigator or change agent rather than being a passive presence.

The key benefit of this approach is that Royal builds stronger relationships within the region, with not only community and community groups, but various government agencies, pastoralists and NGOs. As our proposed mining project advances, these established relationships, and Royal's profile in the community, can only be beneficial and drive continued regional support.

Royal's Indigenous community partnerships are largely based around the Native Title Mining Agreement – Exploration. This has included supporting the Traditional Owner filming areas of cultural significance on site, providing funds for an Indigenous scholarship and supporting the Traditional Owners visits of engraving sites. Royal specifically targets Aboriginal enterprise for some of our service requirements.

With the introduction of 'Razorback', a quarterly published newsletter, our shareholders, the community, and key stakeholders are kept informed of our activities.

This year, the Government of South Australia formally recognised Royal in the Premier's Awards for Excellence in Supporting Community Participation. Royal was recognised for its work in promoting regional mental health and wellbeing, for supporting workforce development in the pastoral sector and its natural resources management initiatives involving local school students.

Figure 7 - Ngadjuri Heritage clearance team at the Red Dragon Venture

REVIEW OF OPERATIONS

Ironback Hill Prospect

The Ironback Hill Prospect occurs on EL5180 and is approximately 12km south-southwest of Razorback Ridge (Figure 4). An Inferred Resource of 1,197Mt @ 23.2% Fe (2004 JORC Compliant) was announced in November 2012, and represents approximately ten kilometres strike length of the Braemar Iron Formation. The completed drilling program included 12,466 metres RC and 2,849 metres of diamond drilling between October 2011 and April 2012 (Figure 8). Resource modelling confirmed the excellent continuity of the resource which remains open to the east and with depth. Rehabilitation of drill pads and tracks are now in progress. The Ironback Hill Prospect would most likely be developed independently to the RPIP.

Table 3: Total JORC compliant Inferred Mineral Resource from Ironback Hill

Project	JORC Resource Classification	Million Tonnes	Fe%	SiO_2%	Al_2O_3%	P%
Ironback Hill	Inferred	1,187	21.0	44.1	7.2	0.21

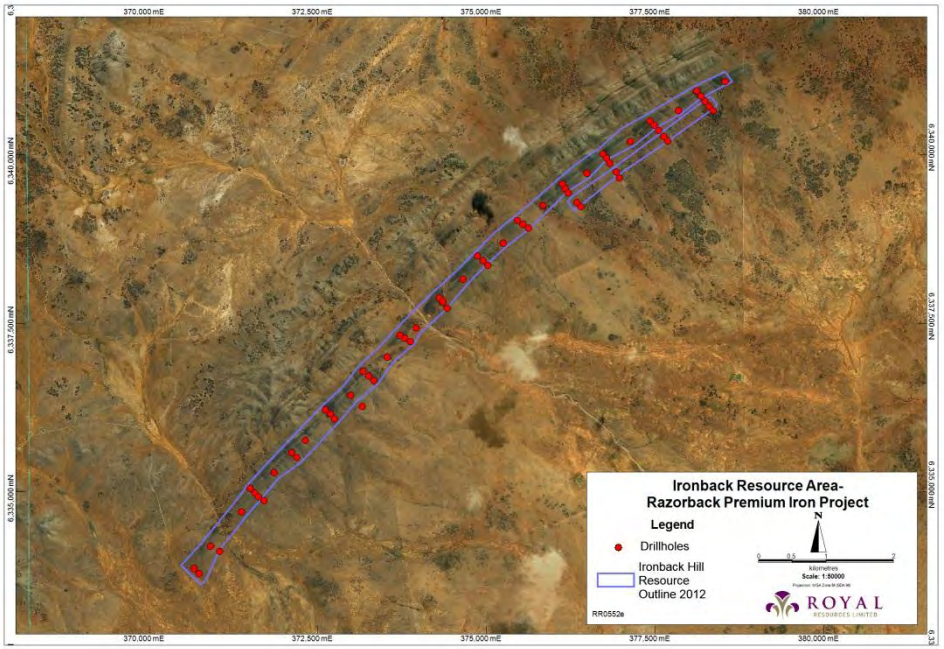
* Rounded to second significant figure

Red Dragon Venture Exploration

Magnetite exploration within the Red Dragon Venture continues along the Braemar Iron Formation, in areas outside the currently defined resources. Recent work includes mapping, rock chip sampling and limited drilling around the Dragon's Head, Manunda and Black Hills South Prospects within EL4267 and EL5240 (Figure 4). The preliminary work suggests all three prospects show evidence of good magnetite mineralisation, with best results identified at the Manunda Prospect where diamond drilling returned 83 metres at 23% DTR mass recovery, including 18 metres at 36% mass recovery. In both cases the concentrate was greater than 66% Fe and the hole ended in mineralisation[4].

Note:
4 ASX announcement on 4th October 2012

Figure 8 – Ironback Hill Resource



Northern Territory Tenements

Royal retains a portfolio of uranium properties in highly mineralised terrains of the Northern Territory. These properties are held either by Royal or under a joint venture with Toronto Stock Exchange listed Aldershot Resources Ltd (TSX:ALZ).

Royal has earned a 60% interest in George EL24550, Waterhouse West EL24563, and Ngalia EL24571 by solely funding exploration. The remaining tenements are owned 100% by Royal.

The focusing of work onto Royal's flagship RPIP iron ore project, exacerbated by the collapse in both the price and interest in uranium, attributable to Japan's Fukashima nuclear power plant incident, has resulted in work on Royal's uranium tenements being substantially curtailed. Royal has begun assessing some of this ground for gold and iron ore opportunities.

Pine Creek

Royal has three tenements in the Top End of the Northern Territory (Figure 9). All are part of the Aldershot Agreement.

George (EL24550) and Amangal (EL27354), Aldershot JV

George is located 95km south of Darwin immediately southwest of Adelaide River. It covers 84km^2 and lies within the Pine Creek Orogen, host to numerous uranium historic deposits, with the Rum Jungle Uranium Field 30km to the north. The tenement contains the old Adelaide River and George Creek Mines, both developed on vein-style uranium deposits with average mined grades of 0.5% U_3O_8 and 0.26% U_3O_8 respectively. Both have historically defined mineralisation remaining. Previous drilling at Adelaide River returned a best intersection of 7.1m @ 0.35% U_3O_8, (7.7 lb./t) including 4m @ 0.72% U_3O_8 (15.8 lb./t) and at George Creek a best intersection of 1m @ 0.48% U_3O_8 (10.6 lb./t) was obtained.

Royal has begun assessing gold targets identified by previous explorers on the tenement (Figure 11). This included field work at the Possum, Arum and Happy Valley Gold Prospects, where surface sampling took place. Historic rock chip sampling had identified mineralisation of up to 170 g/t Au. Several untested targets have been identified and a work program put in place for the next field season (Figure 10).

Amangal is a 4km^2 block on the northern edge of the George Project and covers the anticipated extension of the structure hosting the Adelaide River mine and several strong electrical conductors. Mapping, radiometric, and electrical surveys have been completed and drill targets generated. Amangal will be incorporated into the Aldershot Agreement, being within an agreed buffer zone for new acquisitions.

Waterhouse West (EL24563), Aldershot JV

Waterhouse West is less than 2 km south-west of the historic Rum Jungle Creek South Mine, the largest of the Rum Jungle mines. The tenement covers a 10km strike length of the highly prospective Coomalie contact and 6km of the Riverside Anomalous Zone (RAZ) defined by UAL in 1981. The target is unconformity-style uranium. The tenement is currently under review regarding iron potential, with fieldwork planned for the 2013 field season.

Figure 9 – Pine Creek, Northern Territory Project Locations. The application for ABC has been dropped.

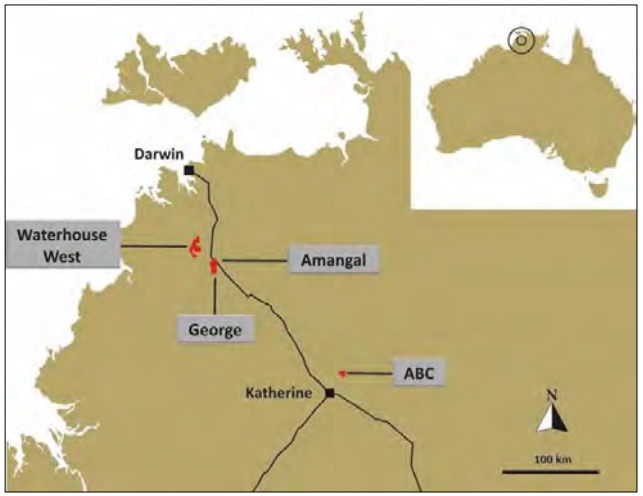
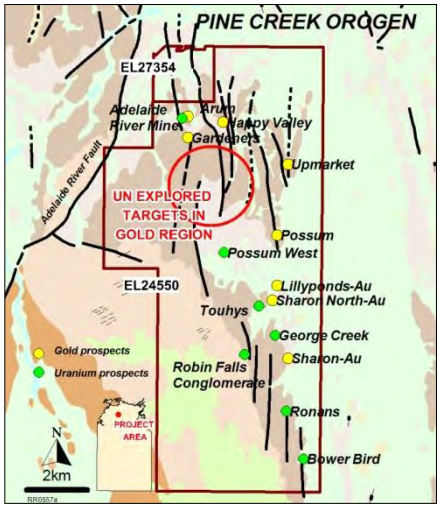


Figure 10 - Gold mineralised Quartz vein, George Project

Figure 11 - Gold and Uranium Targets, George Project NT



Ngalia Basin

Royal has seven tenements covering 611km^2 in the Ngalia Basin (Figure 12). The Ngalia and Ngalia East tenements are within the Aldershot JV.

The Ngalia Basin is host to the sandstone hosted Bigrlyi uranium deposit. This deposit, owned by Energy Metals Ltd, Paladin Energy Ltd, and Southern Cross Exploration NL, has an Inferred and Indicated Resource of around 9,300t U @ 0.14% U_3O_8.

Royal is targeting repetitions of the Bigrlyi structure related mineralisation style and palaeochannel hosted mineralisation.

With the current subdued uranium price, no fieldwork was conducted this year. The project area is currently under review.

Ngalia (EL24571), Ngalia East (EL29067), Aldershot JV

The Ngalia tenement (210km^2) lies 45 km along strike to the southwest of Bigrlyi, covering a 28km strike of the concealed but prospective Mt Eclipse Sandstone. Work over the period has been restricted to a desktop review of the area. The Ngalia East (EL29067) has been relinquished.

Yatjalu West (EL28700), Djambdimba (EL28701)

The Yatjalu West (22km^2) and Djambdimba (16km^2) tenements were acquired in 2011. These areas occur in the Ngalia Basin to the south of the Bigrlyi Deposit and cover the prospective Mt Eclipse Sandstone or buried palaeochannels. Compilation of previous government and company databases has been undertaken with uranium targets identified for field checking.

Naburula East (EL28986), Yatjalu (EL27633), and Gum Creek (EL27634)

These tenements have been surrendered on lack of substantive exploration success.

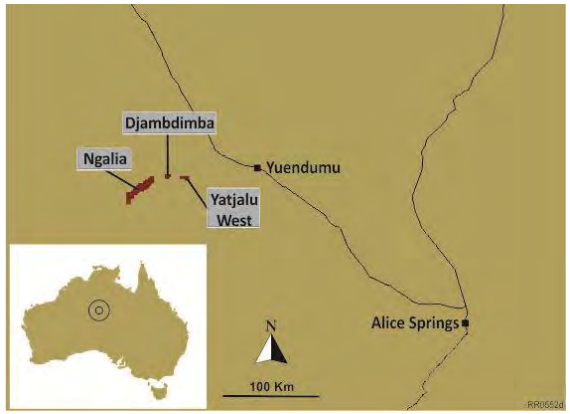


Figure 12 – Ngalia Basin, Northern Territory project locations

Western Australia Tenements

Royal's holdings in WA include two areas, the Fields Find area which is a multi-commodity project area where Royal has previously been focusing on iron ore/gold, and the Watertank Gold Project in the Eastern Goldfields (Figure 13).

Mid West

Fields Find Gold/Iron Ore Project

In April 2013, Royal completed the sale of the Field Find Tenements to Mt Gibson Iron Limited (ASX code: MGX). The sale comprised a cash amount of $500,000 and two milestone payments of $200,000 each upon MGX attaining sale of 1 million tonnes of iron or 10,000 ounces of gold, from the project area within 10 years. Funds from the sale were directed towards the continued advancement of the RPIP in South Australia.

Eastern Goldfields

Water Tank Gold Project

Royal holds 3 Prospecting Licences covering 3.5km^2 less than 10 km from the Norseman gold mine. Previous drilling returned results of 1m @ 12.4 g/t Au at the Empire Rose Prospect and an extensive zone of 1 to 3m of 2.05 to 2.46 g/t Au. A buyer is being sought for the property.

Figure 13 - Western Australian Project Locations

South Australia Western Gawler Tenements

Two tenements have been applied for in South Australia in the reporting period (Figure 14):

Ooldea Fe - Potash

The project area (369km^2) is located within the western edge of the Gawler Craton. The tenement application is approximately 780km NW of Adelaide and approximately 6km south of the Ooldea siding along the Trans-Australian Railway. A part of the tenement application lies north along strike on the Ooldea Magnetite Prospect. In addition, the tenement contains one of South Australia's only potash prospects and is also prospective for gold and heavy minerals.

Cooper Hill Ni-Cu

The Cooper Hill application (538km^2) is located approximately 68km west of Ceduna and contains the small highway town of Penong. Located on the south-western edge of the Gawler Craton, Cooper Hill contains Proterozoic Mafic-Ultramafic intrusive rocks identified by previous explorers, but requires further testing. The area shows potential opportunity for Voisey Bay or Nova-Style Ni-Cu mineralisation. Previous work has identified nickel-chrome geochemical anomalies in soil and aircore drilling; peridotite with disseminated sulphide (to 0.2% Ni) in drill core; EM anomalies that require follow-up; and completely untested portions of the intrusive. In addition, several historic but untested gold targets have been identified through geochemistry.

Figure 14 – South Australian Project Locations

Schematic drawing of the proposed mine layout at the Razorback Premium Iron Project

Outcropping Braemar Iron Formation at the Dragon's Head Prospect, Red Dragon Venture

CORPORATE GOVERNANCE STATEMENT

Royal Resources Limited ("the Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("principles & recommendations"), the Company has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3[3]	n/a	n/a
Recommendation 2.1		✓
Recommendation 2.2		✓
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5	✓	
Recommendation 2.6[3]	n/a	n/a
Recommendation 3.1	✓	
Recommendation 3.2		✓
Recommendation 3.3[3]	n/a	n/a
Recommendation 3.4	✓	
Recommendation 3.5[3]	n/a	n/a
Recommendation 4.1	✓	
Recommendation 4.2		✓
Recommendation 4.3	✓	
Recommendation 4.4[3]	n/a	n/a
Recommendation 5.1	✓	
Recommendation 5.2[3]	n/a	n/a
Recommendation 6.1	✓	
Recommendation 6.2[3]	n/a	n/a
Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 7.4[3]	n/a	n/a
Recommendation 8.1	✓	
Recommendation 8.2	✓	
Recommendation 8.3	✓	
Recommendation 8.4[3]	n/a	n/a

Note 1 Indicates where the Company has followed the principles & recommendations.
Note 2 Indicates where the Company has provided "if not, why not" disclosure.
Note 3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.royalresources.com.au, under the section marked corporate governance. A list of the charters, policies and procedures which are referred to in this corporate governance statement, together with the recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Board	1.3
Audit committee	4.4
Nomination committee	2.6
Remuneration committee	8.4

Policies and procedures	
Policy and procedure for selection and (re)appointment of directors	2.6
Process for performance evaluation	1.2, 2.5
Policy on assessing the independence of directors	2.6
Policy for trading in Company securities (summary)	
Code of conduct (summary)	3.1
Policy on ASX listing rule compliance (summary)	5.1, 5.2
Compliance procedures (summary)	
Procedure for selection, appointment and rotation of external auditor	4.4
Shareholder communication policy	6.1, 6.2
Risk management policy (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the principles & recommendations during the 2012/2013 financial year ("Reporting period").

Principle 1 – Lay Solid Foundations for Management and Oversight

Recommendation 1.1:
Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Disclosure:
The Company has established the functions reserved to the board and has set out these functions in its board charter. The board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its board charter. Senior executives are responsible for supporting the managing director and assisting the managing director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the managing director or, if the matter concerns the managing director, then directly to the chair or the lead independent director, as appropriate.

Recommendation 1.2:
Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:
The Managing Director is responsible for evaluating the senior executives. The Managing Director undertakes an annual performance evaluation of senior executives. This evaluation is conducted at the time of a senior executive's annual remuneration review, and involves an interview with the Managing Director to discuss key performance indicators. The Managing Director also evaluates the performance of the senior executives on an ongoing basis via informal discussions with senior executives about performance. The performance evaluations of senior executives are undertaken by the managing director on an annual basis.

Recommendation 1.3:
Companies should provide the information indicated in the *guide to reporting on principle 1.*

Disclosure:
Evaluation of the senior executives took place in the Reporting Period as part of their annual performance review.

Please refer to the previous section marked website disclosures.

Principle 2 – Structure The Board to Add Value

Recommendation 2.1:
A majority of the board should be independent directors.

Notification of departure:
During the Reporting Period the board of four had one independent director, Malcolm Randall.

The executive director of the board was Marcus Flis.

The other non executive directors of the Company are Frank DeMarte and Philip Crabb. Mr DeMarte is not an independent director because he was previously employed in an executive capacity by the Company and there has not been a period of at least three years between ceasing such employment and serving on the board. Mr Crabb is also not considered to be independent due to his share holding in the Company.

Explanation for departure:
The board considers that its composition is appropriate given the current size and operations of the Company. The board believes that each of the directors possesses the appropriate mix of skills and expertise relevant to the Company's business.

DISCLOSURE – PRINCIPLES & RECOMMENDATIONS *CONTINUED*

Recommendation 2.2:
The chair should be an independent director.

Notification of departure:
During the Reporting Period, the chair was Philip Crabb who is not an independent director.

Explanation for departure:
The board believes that Philip Crabb is the most appropriate person for the position of chair because of his industry experience and knowledge. Philip Crabb and his associate's substantial shareholding is the only factor that precludes him from being considered independent. The board believes that Philip Crabb makes decisions that are in the best interests of the Company.

Recommendation 2.3:
The roles of the chair and chief executive officer should not be exercised by the same individual.

Disclosure:
The managing director is Marcus Flis who is not chair of the board.

Recommendation 2.4:
The board should establish a nomination committee.

Notification of departure:
The Company has not established a separate nomination committee.

Explanation for departure:
The role of the nomination committee is carried out by the full board. The board considers that given the current composition of the board, at this stage no efficiencies or other benefits would be gained by establishing a separate nomination committee. Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at board meetings when required. When the board convenes as the nomination committee it carries out those functions which are delegated in the Company's nomination committee charter. The board deals with any conflicts of interest that may occur when convening in the capacity of nomination committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:
Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Disclosure:
The Chair is responsible for evaluating the Board and, when appropriate, Board committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director. The process for the performance evaluations includes questionnaires and interviews with each Director to discuss this assessment.

Recommendation 2.6:
Companies should provide the information indicated in the *guide to reporting on principle 2*.

Disclosure:
Skills, experience, expertise and term of office of each director
A profile of each director containing their skills, experience, expertise and term of office is set out in the directors' report.

Identification of independent directors
During the Reporting Period, the independent director of the Company was Malcolm Randall. Mr Randall is independent as he is a non-executive director and is not a member of the management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

Independence is measured having regard to the relationships listed in box 2.1 of the principles & recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's materiality thresholds
The board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's board charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

DISCLOSURE – PRINCIPLES & RECOMMENDATIONS *CONTINUED*

- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of independent professional advice

To assist directors with independent judgement, it is the board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination matters

No meetings were held by the full board in its capacity as the nomination committee during the Reporting Period.
The explanation for departure set out under recommendation 2.4 above explains how the functions of the nomination committee are performed.

Performance evaluation

During the Reporting Period the board completed a comprehensive questionnaire to evaluate the board's performance as the governing body of the Company. The evaluation of the managing director took place in accordance with the process disclosed at recommendation 2.5.

Selection and (re)appointment of directors

In determining candidates for the board, the nomination committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the board as well as the skills and qualifications of potential candidates that will best enhance the board's effectiveness.

The board recognises that board renewal is critical to performance and the impact of board tenure on succession planning. Each director other than the managing director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION - MAKING

Recommendation 3.1:

Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating of unethical practises.

Disclosure:

The Company has established a code of conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Notification of departure:

During the Reporting Period, the Company did not establish a policy concerning diversity.

Disclosure – Principles & Recommendations *continued*

Explanation for departure:
The Company has not established a diversity policy but is actively managing diversity by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees. The Company encourages diversity in employment, and in the composition of its Board, as a means of ensuring the Company has an appropriate mix of skills, experience and expertise. Specifically, the Company provides equal opportunities in respect to employment and employment conditions and does not discriminate on the basis of a candidate gender, age, ethical and cultural background.

Recommendation 3.3:
Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Notification of departure:
During the Reporting Period no measurable objectives were set for a diversity policy as no policy had been formulated.

Explanation for departure:
It would be inefficient to establish measurable objectives for gender diversity given the current size and operation of the Company and the industry in which it operates.

Recommendation 3.4:
Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Disclosure:
The proportion of women employees in the whole organisation are as follows:

- Total women employed by the Group 30%;
- Women in senior executive positions Nil;
- Women on the board Nil.

Recommendation 3.5:
Companies should provide the information indicated in the guide to reporting on principle 3.

Disclosure:
The Company is committed to providing a positive work environment and has an established Code Of Conduct which employees are expected to adhere. The Company also has an Equal Employment Opportunity And Anti-Discrimination Policy. Given the size of the Company and the industry in which it operates it is difficult to establish measurable objectives for gender diversity. However, every effort is made to find the most suitably qualified person for any role in the Company, irrespective of age, sex, religion or any other personal characteristic or attribute, in accordance with the Company's policies.

Principle 4 – Safeguard Integrity in Financial Reporting

Recommendation 4.1:
The board should establish an audit committee.

Disclosure:
The board has established an audit committee.

Recommendation 4.2:
The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

Notification of departure:
The audit committee comprises of two directors - Malcolm Randall and Frank DeMarte. Accordingly, it is not structured in accordance with Recommendation 4.2.

Explanation for departure:
Malcolm Randall is the only independent non-executive director. Frank DeMarte was appointed to the audit committee by the board on 12 April 2012. Mr DeMarte is not an independent director because he was previously employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the board. The Company considers that the members of the audit committee are the most appropriate for the Company's current needs, given their experience and their qualifications.

Disclosure – Principles & Recommendations *continued*

Malcolm Randall, who is not chair of the board, chairs the audit committee.

Recommendation 4.3:
The audit committee should have a formal charter.

Disclosure:
The Company has adopted an audit committee charter.

Recommendation 4.4:
Companies should provide the information indicated in the g*uide to reporting on principle 4.*

Disclosure:
The audit committee held two meetings during the Reporting Period. Mal Randall and Frank DeMarte attended the meetings.

Details of each of the director's qualifications are set out in the directors' report.

Both members of the audit committee consider themselves to be financially literate and have experience in the industry in which the Company operates.

Malcolm Randall has extensive experience in management and marketing in the resources sector.

Frank DeMarte holds a Bachelor of Business and has been the Company Secretary and Chief Financial Officer of numerous listed companies, and is therefore financially qualified.

The Company has established procedures for the selection, appointment and rotation of its external auditor, which is available on the Company's website. The board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the audit committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the audit committee (or its equivalent) and any recommendations are made to the board.

Principle 5 – Make Timely and Balanced Disclosure

Recommendation 5.1:
Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:
The Company has established written policies designed to ensure compliance with ASX listing rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:
Companies should provide the information indicated in the g*uide to reporting on principle 5.*

Disclosure:
Please refer to the section above marked website disclosures.

Principle 6 – Respect the Rights of Shareholders

Recommendation 6.1:
Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:
The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:
Companies should provide the information indicated in the *guide to reporting on principle 6.*

Disclosure:
Please refer to the section above marked website disclosures.

Disclosure – Principles & Recommendations *continued*

Principle 7 – Recognise and Manage Risk

Recommendation 7.1:
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:
The board has adopted a risk management policy, which sets out the Company's risk profile. Under the policy, the board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the board delegates day-to-day management of risk to the managing director, who is responsible for identifying, assessing, monitoring and managing risks. The managing director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the board.

In fulfilling the duties of risk management, the managing director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the board.

The board has established a separate audit committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the board to manage the Company's material business risks:

- the board has established authority limits for management which, if exceeded, will require prior board approval;
- the board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has implemented a risk management system which includes a register which management has identified the Company's material business risks and risk management strategies for these risks. The risk register will be reviewed quarterly and updated, as required. During the Reporting Period, management identified material business risks and risk management strategies for these risks, which were then reported to the board. Management reported to the board on material business risks as required and the board made further enquiries of management as necessary. The process of managing of material business risks has been allocated to members of senior management.

The categories of risk reported on as part of the Company's systems and processes for managing material business risk include: liquidity risk, foreign currency exchange risks, operational risk, environmental risk, compliance risk, strategic risk, human capital, financial reporting and market-related risks.

Recommendation 7.2:
The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:
The Company has implemented risk management and internal control systems to manage the Company's material business risks. The board has received a report from the managing director as to the effectiveness of the Company's management of its material business risks. The risk management and internal controls systems will require ongoing review and updating on a regular basis.

Recommendation 7.3:
The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:
The managing director and the chief financial officer have provided a declaration to the board in accordance with section 295A of the Corporations Act and have assured the board that such

DISCLOSURE – PRINCIPLES & RECOMMENDATIONS *CONTINUED*

declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:
Companies should provide the information indicated in the guide to reporting on principle 7.

Disclosure:
The board has received the report from management under recommendation 7.2.

The board has received the assurance from the managing director and the chief financial officer under recommendation 7.3.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1:
The board should establish a remuneration committee.

Disclosure:
During the Reporting Period the board established a separate remuneration committee.

Recommendation 8.2:
The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent chair; and
- has at least three members.

Disclosure:
The remuneration committee comprised of three directors – Malcolm Randall, Philip Crabb and Frank DeMarte, of which Mr Randall was considered to be an independent director.

Mr DeMarte is not considered an independent director because he was previously employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the board. Mr Crabb is also not considered independent due to his shareholding in the Company.

Malcolm Randall, who is not chair of the board, chairs the remuneration committee.

Recommendation 8.3:
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:
Non-executive directors are remunerated at market rates (for comparable companies) for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company. An additional fee is also paid for each board committee on which a director sits, in recognition of the additional time commitment required by directors who serve on one or more of these committees. The Company may grant options to non-executive directors, in order to attract, motivate and retain highly skilled directors. This policy is subject to annual review.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the board and subject to obtaining the relevant approvals.

Recommendation 8.4:
Companies should provide the information indicated in the g*uide to reporting on principle 8.*

Disclosure:
Details of remuneration, including the Company's policy on remuneration, are contained in the "remuneration report" which forms of part of the directors' report.

During the Reporting Period, the remuneration committee adopted a remuneration committee charter and held two meetings. There are no termination or retirement benefits for non-executive directors (other than superannuation).

The Company's remuneration committee charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Information on Directors

The following persons were directors of the Company during the financial year and until the date of this report. Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

Philip G Crabb

FAusIMM, MAICD
Non-Executive director Age 73

Experience and expertise
Mr Crabb is a fellow of the Australasian Institute of Mining and Metallurgy and a member of the Institute of Company Directors. Mr Crabb has been actively engaged in mineral exploration and mining activities for the past 43 years in both publicly listed and private exploration companies. He has considerable experience in field activities, having been a drilling contractor, quarry manager and mining contractor. Mr Crabb also has extensive knowledge of the Australian mining industry and has many years of experience with management of Australian publicly listed companies.

Mr Crabb was first appointed to the board on 28 November 2005

Directorships of listed companies in last 3 years
Director of Thundelarra Exploration Ltd *(from March 2012)* re-appointed
Director of Thundelarra Exploration Ltd *(from November 1998 to September 2011)*
Director of Canadian publicly listed Aldershot Resources Ltd *(from 2009)*

Special responsibilities
Chairman of the board (*from March 2007)*
Member of the nomination committee *(from November 2005)*
Member of the remuneration committee *(from July 2012).*

Marcus F Flis

BSc (Hons), M Sc, FAusIMM
Managing director Age 55

Experience and expertise
Mr Flis holds degree in both geology and geophysics and is highly qualified in the resources industry, having over 32 years experience covering all aspects of exploration, resource definition and project assessment. He has recently held the position of project director with Rio Tinto Iron Ore's business development group. Previously Mr Flis held positions as exploration manager with Hamersley Iron and Iron Ore company of Canada and managed geophysics for Newcrest Mining Ltd. Mr Flis comes with extensive experience as an explorationist for a wide range of mineral commodities in varied mineral terrains and geographies.

Mr Flis was first appointed to the board on 11 August 2009.

Directorships of listed companies in last 3 years
Director of Canadian publicly listed Aldershot Resources Ltd *(from 2012)*

Special responsibilities
Member of the nomination committee *(from August 2009)*
Member of the remuneration committee *(from 2012 to March 2012)*

Frank DeMarte

BBus, FCIS, FCSA, FAICD
Non-Executive director Age 51

Experience and expertise
Mr DeMarte has over 29 years of experience in the mining and exploration industry in Western Australia. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently a Non-Executive Director of the Company.

Mr DeMarte is experienced in areas of company secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a bachelor of business majoring in accounting and is a fellow of the Chartered Secretaries of Australia and a Fellow of the Australian Institute of Company Directors.

Mr DeMarte was first appointed to the board on 23 February 2004.

Directorships of listed companies in last 3 years
Director of Thundelarra Exploration Ltd *(from March 2001)*

Special responsibilities
Member of the nomination committee *(from February 2004)*
Member of the remuneration committee *(from February 2004)*
Member of the audit committee *(from April 2012)*

Information on Directors *continued*

Malcolm J Randall

B.Applied Chem, MAICD
Non-Executive director Age 68

Experience and expertise
Mr Randall holds a Bachelor of Applied Chemistry and is a member of the Australian Institute of Company Directors. Mr Randall has had extensive experience in corporate management and marketing in the resources sector including over 25 years with the Rio Tinto group of companies. His iron ore experience has included senior technical and commercial management roles in Hamersley Iron Pty Ltd and a commercial advisor to the Hope Downs Iron Ore project. Mr Randall is also a Non-Executive Director of four other ASX listed resource companies as noted below.

Mr Randall was first appointed to the board on 4 October 2006.

Directorships of listed companies in last 3 years
Director of Iron Ore Holdings Ltd *(from 2003)*
Director of Matilda Zircon Limited *(from 2009)*
Director of Summit Resources Limited *(from 2007)*
Director of Thundelarra Exploration Ltd *(from 2003)*

Special responsibilities
Chairman of the audit committee *(from August 2009)*
Member of the nomination committee (from October 2006)
Chairman of the remuneration committee *(from October 2011)*
Member of the remuneration committee *(from October 2006)*

Company Secretary

Tony Heslop

B.Com, CA, ACIS, ACSA Age 46

The Company Secretary is Tony Heslop. He has been involved in mining and engineering for approximately 24 years spanning two careers. For the last 14 years Mr Heslop has been employed in finance roles at Hancock Prospecting Pty Ltd, Woodside Energy Ltd and PricewaterhouseCoopers. Previously Mr Heslop was employed in various engineering capacities at Alinta Gas, WMC Resources Limited and Alcoa Australia.

Mr Heslop has experience in the areas of company secretarial practise, treasury, accounting and corporate administration, with the following qualifications;

Graduate Diploma – Applied Corporate Governance,
Graduate Diploma – Chartered Accounting,
Bachelor of Commerce – Accounting,
Associate Diploma – Mechanical Engineering,

Mr Heslop is also the Chief Financial Officer of the Company.

Interest in the Shares and Options of the Company

As at the date of this report, the interests of the directors and key management personnel in shares and options of Royal Resources Limited were:

Director and Key Management Personnel	Number of ordinary shares	Number of options over ordinary shares
Philip G Crabb	24,650,954	7,316,135
Marcus F Flis	2,000,032	7,654,766
Frank DeMarte	3,688,135	7,269,733
Malcolm R J Randall	1,887,383	4,448,197
Tony Heslop	220,000	1,650,000

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Principal Activities

The principal activity of the consolidated entity during the year was mineral exploration in Australia and the USA. There were no significant changes in the nature of those activities during the year.

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year not otherwise dealt with in this report.

Significant Events After the Balance Date

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2013 financial statements.

Issue of employee share options

On 15 July 2013 the Company issued 2,850,000 options to eligible employees under the employee share option plan. The options have an exercise price of 4.9 cents each and have an expiry date of 1 July 2016. The options were granted at no cost and carry no dividend or voting rights. The options are not quoted on the Australian Securities Exchange Ltd.

Performance in Relation to Environmental Obligations

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has been determined that the risk of non-compliance is low, and has not identified any compliance breaches during the financial year. The directors are not aware of any environmental regulations not being complied with.

Share Options

Shares under option

As at the date of this report, there were 69,237,988 unissued ordinary shares of the Company under options.

Date options granted	Expiry date	Exercise price of options	Number of options
Unquoted options			
27 Nov 2008	30 Nov 2013	0.30	3,000,000
27 Nov 2009	26 Nov 2014	0.55	4,500,000
30 Nov 2010	29 Nov 2015	0.28	5,750,000
10 Jun 2011	9 Jun 2014	0.24	1,715,000
28 Nov 2011	27 Nov 2016	0.21	6,750,000
10 Jul 2012	29 Jul 2015	0.19	500,000
17 Jul 2012	9 Jul 2015	0.225	2,430,000
29 Nov 2012	27 Nov 2017	0.16	6,500,000
26 May 2013	25 May 2016	0.075	500,000
15 Jul 2013	1 Jul 2016	0.049	2,850,000
Quoted options			
8 June 2010	31 Oct 2013	0.12	34,742,988

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or in the interest issue of any other registered scheme.

Shares Issued as a Result of the Exercise of Options and Options Expired

During the financial year;

Options exercised

(i) 100,000 quoted 8 cent options were exercised to acquire ordinary fully paid shares in the Company.

Options expired

(i) 1,500,000 quoted options with an exercise price of 50 cents each expired on 6 April 2013;
(ii) 1,600,000 unquoted options with an exercise price of 8 cents each expired on 30 April 2013; and
(iii) 1,125,000 unquoted options with an exercise price of 30 cents each expired on 13 May 2013.

Options lapsed

(i) 65,000 unquoted options with an exercise price of 24 cents each expiring on 9 June 2014 cancelled; and
(ii) 115,000 unquoted options with an exercise price of 22.5 cents each expiring on 9 July 2015 cancelled.

Shares Issued as a Result of Placement

During the financial year;
(i) 12,976,509 shares were issued at 4.9 cents.

Operating Results

During the year the consolidated entity incurred a consolidated loss of $2,697,201 (2012: profit $1,648,698).

Corporate Information

Royal Resources Limited	Parent entity
Razorback Iron Pty Ltd	100% owned controlled entity
Razorback Operations Pty Ltd	100% owned controlled entity
Red Dragon Mining Pty Ltd	100% owned controlled entity

Remuneration Report (audited)

This report outlines the remuneration arrangements in place for directors and executives of the consolidated entity.

(a) Details of key management personnel

Directors

P G Crabb	Chairman (Non-Executive)
M F Flis	Managing director (Executive)
F DeMarte	Director (Non-Executive)
M J Randall	Director (Non-Executive)

Executive

T J Heslop	Company Secretary & Chief Financial Officer

(b) Compensation of key management personnel

Remuneration policy
The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives.

To this end, the consolidated entity embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre executives; and
- Link executive rewards to shareholder value.

Remuneration committee
The remuneration committee comprises majority of independent directors of the consolidated entity and is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.
The remuneration committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive director compensation
Objective
The board seeks to set aggregate compensation at a level that provides the consolidated entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

REMUNERATION REPORT (AUDITED) *CONTINUED*

Structure
The constitution and the ASX listing rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the annual general meeting held on 26 November 2009 when shareholders approved an aggregate compensation of $400,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.
Each director receives a fee for being a director of the consolidated entity. An additional fee may also be paid for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub committees.

Non-executive directors have long been encouraged by the board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit.

The compensation of non-executive directors for the year ended 30 June 2013 is detailed as per the disclosures on page 25.

Executive compensation

Objective
The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for Company, business unit and individual performance against targets set by to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards

Structure
In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

The Company has entered into a detailed contract of employment with the managing director, details of this contract are provided on page 26.

Fixed compensation

Objective
Fixed compensation is reviewed annually by the remuneration committee. The process consists of a review of Companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Other compensation

Notwithstanding guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive directors should not receive options, the directors consider that the grant of the options is designed to encourage the directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the granting of options is an incentive to each of the directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the directors.

REMUNERATION REPORT (AUDITED) *CONTINUED*

Remuneration of each director and key management personnel of the Company

Remuneration for the year ended 30 June 2013

Directors	Year	Salary and fees $	Annual leave accrual $	Superannuation $	Options $	Long service leave $	Total remuneration $	Consisting of options for the year %
Managing director								
M F Flis	2013	400,680	23,813	36,061	50,660	-	511,214	10%
	2012	365,944	33,115	50,000	86,000	-	535,059	16%
Non executive directors								
F DeMarte	2013	81,700	-	7,353	37,995	-	127,048	30%
	2012	119,106	8,318	19,525	75,250	18,540	240,739	31%
P G Crabb	2013	77,695	-	6,993	37,995	-	122,683	31%
	2012	68,900	-	6,201	53,750	-	128,851	42%
M J Randall	2013	65,398	-	5,886	37,995	-	109,279	35%
	2012	53,000	-	4,770	43,000	-	100,770	43%
B D Richardson[1]	2013	-	-	-	-	-	-	-
	2012	28,000	-	29,770	32,250	-	90,020	36%
Executive								
T J Heslop	2013	214,900	1,460	24,900	51,420	-	292,680	18%
	2012	220,000	15,543	19,800	-	-	255,343	-
Total	2013	840,373	25,273	81,193	216,065	-	1,162,904	19%
	2012	854,950	56,976	130,066	290,250	18,540	1,350,782	21%

Note:

1 B D Richardson resigned as a Non-Executive Director on 29 June 2012

REMUNERATION REPORT (AUDITED) *CONTINUED*

Employment agreements for Directors

Mr Marcus Flis, Managing Director

- Term of Agreement – no fixed term
- Base salary, inclusive of superannuation, of $436,741 effective 1 July 2012, to be reviewed annually by the remuneration committee
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the base salary for 11.5 months

Share-based compensation options

Compensation options: Granted and vested during the year ended 30 June 2013.

	Vested & granted		Terms & conditions for each grant					
30 June 2013	Number of options	Grant date	Fair Value per option at grant date $	Exercise price per option $	Expiry date	First exercise date/vesting date	Last exercise date	% vested and exercisable at 30 June 2013
Directors								
P G Crabb	1,500,000	28/11/2012	0.025	0.16	27/11/2017	28/11/2012	27/11/2017	100%
M F Flis	2,000,000	28/11/2012	0.025	0.16	27/11/2017	28/11/2012	27/11/2017	100%
F DeMarte	1,500,000	28/11/2012	0.025	0.16	27/11/2017	28/11/2012	27/11/2017	100%
M J Randall	1,500,000	28/11/2012	0.025	0.16	27/11/2017	28/11/2012	27/11/2017	100%
Executive								
T J Heslop	1,000,000	10/07/2012	0.051	0.225	09/07/2015	10/07/2012	09/07/2015	100%
Total	7,500,000							

Options granted as part of remuneration

Details of options over ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel are set out below. Each option when exercised is convertible into one ordinary share in the Company.

Vesting conditions

Options issued to directors and employees during the current financial year vest on grant date.

For details on the valuation of the options, including models and assumptions used, please refer to note 26. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Remuneration Report (audited) *continued*

Equity instruments – audited

Analysis of options and rights over equity instruments granted as compensation.

Details of vesting profiles of the options granted as remuneration to each director and key management person of the Group are detailed below.

	Number of options granted	Grant date of options	Exercise Price of Options $	Fair value of options on grant date $	Expiry date
Executive directors					
M F Flis	1,500,000	27 Nov 2009	0.55	151,050	26 Nov 2014
	1,750,000	30 Nov 2010	0.28	141,750	29 Nov 2015
	2,000,000	28 Nov 2011	0.21	86,000	27 Nov 2016
	2,000,000	28 Nov 2012	0.16	50,660	27 Nov 2017
Non - executive directors					
F DeMarte	750,000	27 Nov 2008	0.30	23,925	30 Nov 2013
	1,250,000	27 Nov 2009	0.55	125,875	26 Nov 2014
	1,500,000	30 Nov 2010	0.28	121,500	29 Nov 2015
	1,750,000	28 Nov 2011	0.21	75,250	27 Nov 2016
	1,500,000	28 Nov 2012	0.16	37,995	27 Nov 2017
P G Crabb	750,000	27 Nov 2008	0.30	23,925	30 Nov 2013
	750,000	27 Nov 2009	0.55	75,525	26 Nov 2014
	1,000,000	30 Nov 2010	0.28	81,000	29 Nov 2015
	1,250,000	28 Nov 2011	0.21	53,750	27 Nov 2016
	1,500,000	28 Nov 2012	0.16	37,995	27 Nov 2017
M.J Randall	500,000	27 Nov 2008	0.30	15,950	30 Nov 2013
	500,000	27 Nov 2009	0.55	50,350	26 Nov 2014
	750,000	30 Nov 2010	0.28	60,750	29 Nov 2015
	1,000,000	28 Nov 2011	0.21	43,000	27 Nov 2016
	1,500,000	28 Nov 2012	0.16	37,995	27 Nov 2017
Executive					
T J Heslop	500,000	10 Jun 2011	0.24	26,832	09 Jul 2014
	1,000,000	10 Jul 2012	0.225	51,420	09 Jul 2015

Options are fully vested on date of grant.

Remuneration Report (audited) *continued*

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director and key management person is detailed below.

Directors and Executive	Granted in year $(a)	Value of options exercised in year $(b)	Lapsed in year $(c)
Directors			
M F Flis	50,660	-	-
F DeMarte	37,995	-	-
P G Crabb	37,995	-	-
M J Randall	37,995	-	-
Executive			
T J Heslop	51,420	-	-

(a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes option-pricing model. The total value of the options granted is included in the table above.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(c) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the options lapsed using Black-Scholes option-pricing model.

Directors' Meetings

The number of meetings of directors (including meeting of committees of directors) held during the year and the number of meetings attended by each director are:

	Board of directors' meetings		Audit committee meetings		Remuneration committee meetings	
Name	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
P G Crabb	11	11	-	-	1	1
M F Flis	11	11	-	-	-	-
F DeMarte	11	11	2	2	2	2
M J Randall	11	11	2	2	2	2

Committee Memberships

As at the date of this report, the Company had an audit and remuneration committee. The role of the nomination committee is carried out by the full board.

Audit	Remuneration	Nomination
M J Randall (C)	M J Randall (C)	M J Randall
Frank DeMarte	F DeMarte	F DeMarte
	P G Crabb(A)	P G Crabb (C)
		M F Flis

Note: (C) Designates the chairman of the committee

(A) P G Crabb was appointed to the remuneration committee on 10 July 2012

Insurance of Directors and Others

During the financial year $33,715 was paid to insure the directors and officers of the Company. In terms of the policy, no specific amounts are allocated to individual directors.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings.

The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-Audit Services

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 70.

Non-Audit Services

Stantons International or its related parties have not received nor are they due to receive any amounts for the year ended 30 June 2013 for the provision of non-audit services.

Operations and Financial Review

Operations

Royal Resources Limited is a mineral exploration company, transitioning to mine developer. The Company has continued to progress studies and search for a strategic partner to progress the Razorback Premium Iron Project to the next phase. The Company is also continuing its search for other projects.

In this tough economic climate the Company has had to rationalise both project and corporate expenditure including but not limited to staff redundancies. While every effort will be made to retain staff going forward, additional redundancies may be necessary to ensure the survival of the Company.

Result for the year

Operations in the financial year ended 30 June 2013 have resulted in a loss of $2.6million compared to last year's profit of $1.7million. This is due to a drop in other income from the sale of tenements. Tenements sales are not expected to increase next year.

Financial position

Management and directors are constantly monitoring expenditure and cash balances to ensure the survival of the Company. Current cash flow forecasts indicate that, with available cash, the Company will remain liquid at least until the end of 2014 or early 2015 while maintaining necessary exploration work.

Signed in accordance with a resolution of the directors.

Marcus F Flis
MANAGING DIRECTOR

16 August 2013

Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2013

	Notes	2013 $	2012 $
Other income	4(a)	451,883	7,384,845
Exploration expenditure		(274,012)	(1,778,285)
Net gain on deconsolidation of subsidiary		-	713,863
Loss on sale of property, plant and equipment	4(b)	(31,105)	-
Employee benefits		(1,769,388)	(1,586,154)
Share based payment expense	17 (d)	(325,884)	(290,250)
Professional fees		(478,426)	(922,794)
Depreciation and amortisation		(175,603)	(188,183)
General and administrative costs		(667,183)	(627,276)
Diminution in value of investment	9 (a)	(660,796)	(1,743,419)
Other expenses		(161,654)	(148,559)
Share of net loss of associate	9 (a)	(550,023)	(299,962)
Non-recovery of loan to associate		(233,492)	-
Operating (loss)/profit		(4,875,683)	513,826
Finance income		247,770	451,883
Finance costs		(3,901)	(5,626)
Profit/(loss) before income tax		(4,631,814)	960,083
Income tax benefit	5(a)	1,934,613	851,148
(Loss)/profit from continuing operations after income tax		(2,697,201)	1,811,231
Discontinued operations (loss) before and after income tax		-	(162,533)
(Loss)/profit for the year after tax		(2,697,201)	1,648,698

CONTINUED

	Notes	2013 $	2012 $
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	17(d)	-	(638,916)
Share of translation reserve of associate	17(d)	33,005	-
Share of fair value reserve of associate	17(d)	(57,588)	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive income/(loss) for the year, net of tax		(2,721,784)	1,009,782
(Loss)/profit for the year attributable to members of the Company		(2,697,201)	1,648,698
Total comprehensive income/(loss) for the year, net of tax, attributable to the members of the Company		(2,721,784)	1,009,782
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic (loss)/earnings per share (cents per share)	6	(0.80)	0.60
Diluted (loss)/earnings per share (cents per share)	6	(0.80)	0.59
Earnings per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company			
Basic (loss)/earnings per share (cents per share)	6	(0.80)	0.55
Diluted (loss)/earnings per share (cents per share)	6	(0.80)	0.54

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	4,123,976	9,209,767
Trade and other receivables	8(a)	166,665	909,160
Other financial assets	10	22,932	32,322
Total current assets		4,313,573	10,151,249
Non-current assets			
Trade and other receivables	8(b)	97,754	116,224
Investment in associate	9	335,086	1,554,429
Plant and equipment	12	236,447	343,672
Exploration expenditure	13	29,800,960	25,515,839
Intangible assets	14	25,120	62,651
Total non-current assets		30,495,367	27,592,815
TOTAL ASSETS		34,808,940	37,744,064
LIABILITIES			
Current liabilities			
Trade and other payables	15	432,368	1,636,738
Provisions	16	184,858	179,620
Total current liabilities		617,226	1,816,358
TOTAL LIABILITIES		617,226	1,816,358

CONTINUED

	Notes	2013 $	2012 $
NET ASSETS		34,191,714	35,927,706
EQUITY			
Contributed equity	17(a)	44,325,919	43,682,070
Reserves	17(d)	7,433,751	7,116,391
Accumulated losses		(17,567,956)	(14,870,755)
TOTAL EQUITY		34,191,714	35,927,706

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For Year Ended 30 June 2013

	Notes	Contributed Equity	Reserves	Accumulated Losses	Total
		$	$	$	$
At 1 July 2012		43,682,070	7,116,391	(14,870,755)	35,927,706
Total Comprehensive (loss) for the year					
Loss for the year		-	-	(2,697,201)	(2,697,201)
Share of translation reserve of associate		-	33,005	-	33,005
Share of fair value reserve of associate		-	(57,588)	-	(57,588)
Total comprehensive (loss) for the year		-	(24,583)	(2,697,201)	(2,721,784)
Transaction with owners recorded directly in equity:					
Contribution of equity, net of transaction costs	17 (b)	643,849	-	-	643,849
Recognised value of share based payments	17 (d)	-	325,884	-	325,884
Recognised value of share based payments of associate	17 (d)	-	16,059	-	16,059
At 30 June 2013		44,325,919	7,433,751	(17,567,956)	34,191,714
At 1 July 2011		33,121,746	7,465,057	(16,519,453)	24,067,350
Total comprehensive income for the year		-	(638,916)	1,648,698	1,009,782
Contributions of equity, net of transaction costs	17 (b)	10,560,324	-	-	10,560,324
Value of director services	17 (d)	-	290,250	-	290,250
		10,560,324	290,250	-	10,850,574
At 30 June 2012		43,682,070	7,116,391	(14,870,755)	35,927,706

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

For the Year Ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,052,039)	(3,820,800)
Interest received		252,583	450,073
Other revenue		1,970,276	922,647
Refund from Internal Revenue State received		170,532	-
Net cash flows used in operating activities	7(b)	(658,648)	(2,448,080)
Cash flows from investing activities			
Payment for plant and equipment	12	(43,694)	(159,479)
Payment for intangibles	14	(22,176)	(24,003)
Placement of security deposits	8(b)	(20,000)	(58,572)
Redemption of security deposits	8(b)	38,470	15,487
Proceeds from disposal of plant and equipment	4(b)	3,918	-
Proceeds from disposal of tenements	4(a)	511,023	8,350,000
Payment for exploration and evaluation expenditure		(5,426,882)	(10,789,684)
Payment for investment in Aldershot Resources Ltd		-	(1,322,728)
Loan to Aldershot		(111,651)	-
Net cash flows used in investing activities		(5,070,992)	(3,988,979)

CONTINUED

	Notes	2013 $	2012 $
Cash flows from financing activities			
Net proceeds from issuance of shares and shares to be issued	17(b)	643,849	10,560,324
Advance from related party		-	384,051
Net cash flow from financing activities		643,849	10,944,375
Net (decrease)/increase in cash and cash equivalents		(5,085,791)	4,507,316
Cash and cash equivalents at beginning of the financial year		9,209,767	4,732,343
Cash in de-consolidated subsidiary		-	(29,892)
Cash and cash equivalents at end of the financial year	7(a)	4,123,976	9,209,767

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

1. Corporate Information

This financial report includes the consolidated financial statements and notes of Royal Resources Limited and its controlled entities ("consolidated entity or Group").

The financial report of Royal Resources Limited (the "Company") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 16 August 2013.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

The nature of the operations and principal activities of the Group are described on page 21 and 22 of the Directors Report.

Separate financial statements of the Company as an individual entity are no longer presented as the consequences of a change to the Corporations Act 2001, however required financial information for the Company as an individual entity is included in note 22.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Standards and Interpretations). The financial report has also been prepared on a historical cost basis and the accruals basis, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The group recorded a loss of $2,697,201 for the year ended 30 June 2013. Total exploration expenditure recognised in the year is $274,012.

The group had cash assets of just over $4.1 million at 30 June 2013 and investments held for trading and available for sale valued at $23,000 at the reporting date. The directors consider these funds, combined with additional funds from the sale of assets and capital raising to be sufficient for the planned expenditure on the mineral projects for the ensuing 12 months as well as for corporate and administrative overhead costs. The directors also believe that they have the capacity to raise additional capital should that become necessary. For these reasons, the directors believe the going concern basis of preparation is appropriate.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2013 are outlined below.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

2. Summary of Significant Accounting Policies
CONTINUED

(c) New and amended standards adopted by the Group for the financial year ended 30 June 2013

New and amended standards adopted by the Group:

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

2. Summary of Significant Accounting Policies *continued*

(d) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

2. Summary of Significant Accounting Policies *continued*

(d) New Accounting Standards for Application in Future Periods *continued*

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7 and AASB 2012-6: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

(i) simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

(ii) simplifying the requirements for embedded derivatives;

(iii) removing the tainting rules associated with held-to-maturity assets;

(iv) removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

(v) allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

(vi) requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

(vii) requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

2. Summary of Significant Accounting Policies *continued*

(d) New Accounting Standards for Application in Future Periods *continued*

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).
  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

  AASB 13 requires:

  (i) inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and

  (ii) enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

  These Standards are not expected to significantly impact the Group.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual key management Personnel Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 January 2013).

  This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3).

  These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

  This standard is not expected to significantly impact the Group's financial report as a whole.

  AASB 119 (September 2011) includes changes to the accounting for termination benefits.

  This standard is not expected to impact the Group.

  AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.

  These standards are not expected to impact the Group.

2. Summary of Significant Accounting Policies *continued*

(e) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by either an external valuer or internally using a Black-Scholes option pricing model, using the assumptions detailed in note 26.

Mineral exploration and evaluation
Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest.

These costs may be carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area of interest are continuing.

Subsidiary intercompany loans and loans advanced to an associate
Provisions for write off of intercompany loans and loans advanced to an associate are made where there is significant uncertainty as to whether the loans are recoverable.

Recovery of deferred tax assets
Judgment is required in determining whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Deferred tax assets will not be recognised until the Group is able to generate a net taxable income.

Estimates of future taxable income will be based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.
Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of any outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. Summary of Significant Accounting Policies *continued*

(h) Income tax *continued*

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss, or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. Summary of Significant Accounting Policies *continued*

(i) Other taxes

Revenues, expenses and assets are recognised net of amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in value.

Depreciation
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment – over 4 to 10 years
Motor vehicles – over 4 years
Office furniture and equipment – over 3 years

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.
For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

(k) Intangible assets

Intangible assets are made up of licences and software and are stated at cost less any accumulated amortisation and any impairment value.

Amortisation
The amortisation amount of all intangible assets are amortised on a straight line basis over two years of their useful lives to the Group commencing from the time the asset is held ready for use.

2. Summary of Significant Accounting Policies *continued*

(l) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision was made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they may not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(m) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided by the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(o) Earnings per share

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

2. Summary of Significant Accounting Policies *continued*

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

(r) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(s) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. Summary of Significant Accounting Policies *continued*

(t) Interests in joint ventures

The Group has an interest in a joint venture that is a jointly controlled operation.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(u) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the profit or loss.

Gains or losses on available-for-sale investments are recognised as a separate component of equity.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as thorough the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(v) Share-based payment transactions

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

2. Summary of Significant Accounting Policies *continued*

(v) Share-based payment transactions *Continued*

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and
(ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

(i) Cash settled transaction

The Group may provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see note 26). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(ii) Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place the employee option share plan, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, further details of which are given in note 26.

2. Summary of Significant Accounting Policies *continued*

(w) Comparatives

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(x) Foreign currency translation

(i) Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of its associate Aldershot Resources Ltd is Canadian dollar. The functional currency of all other subsidiaries is Australian dollars.

(ii) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical costs continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

(x) Foreign currency translation *continued*

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date. Income and expenses are translated at average exchange rates for the period. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

(y) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(z) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries including the jointly controlled entities as at 30 June 2013.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated.

3. Segment Information

Description of segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

During the year the Group operated in one operating segment and one geographical area, being mineral exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources in the Group.

	Australia		Consolidated	
	2013	2012	2013	2012
	$	$	$	$
Segment Revenue				
Other income	451,883	7,382,308	451,883	7,382,308
Finance revenue	247,770	451,883	247,770	451,883
Total revenue	699,653	7,834,191	699,653	7,834,191
Segment result				
Segment result	(4,940,300)	2,869,390	(4,940,300)	2,869,390
Intersegment elimination			308,486	(2,071,840)
(Loss)/Gain before income tax			(4,631,814)	797,550
Income tax benefit			1,934,613	851,148
(Loss)/Gain for the year			(2,697,201)	1,648,698
Segment assets and liabilities				
Segment assets[1]	34,808,940	37,744,064	34,808,940	37,744,064
Intersegment elimination			-	-
Total assets			34,808,940	37,744,064
Segment liabilities	617,226	1,816,358	617,226	1,816,358
Intersegment elimination			-	-
Total liabilities			617,226	1,816,358
Other segment information				
Acquisition of property, plant and equipment and intangibles	65,870	259,658	65,870	259,658
Depreciation and amortisation expense	175,603	188,183	175,603	188,183
Impairment of intercompany debt	-	7,606,676	-	7,606,676
Total impairment expense	-	7,606,676	-	7,606,676
Intersegment elimination			-	(7,606,676)
			-	-

Note:

1 Includes investment of $335,086 (2012: $1,554,429) in associated company listed on the TSX

4. Other Income and Expenses

	2013 $	2012 $
(a) Other income		
(Decrease)/increase in market value of investments	(9,390)	261,260
Sundry income	57,383	91,370
Foreign currency (loss)/gain	(7,133)	415,210
Gain on disposal	-	2,537
	40,860	770,377
Proceeds from disposal of tenements	520,000	8,350,000
Less carrying value of disposed tenements (Note 13)	-	(1,735,532)
Cost of sale	(108,977)	-
Net gain on disposal tenements	411,023	6,614,468
	451,883	7,384,845
(b) Gain/(loss) from disposal of plant and equipment		
Proceeds from disposal of plant and equipment	3,918	-
Less carrying value of disposed plant and equipment	(35,023)	-
Net loss on disposal of plant and equipment	(31,105)	-

5. Income Tax

	2013 $	2012 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before income tax from continuing operations	(4,631,814)	960,083
Net foreign entity adjustments	-	1,220,691
Loss before income tax from discontinuing operations	-	(162,533)
(Loss)/gain from ordinary activities before income tax expense	(4,631,814)	2,018,241
Prima facie tax benefit on loss from ordinary activities at 30% (2010: 30%)	(1,389,544)	605,472
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unlisted options	95,971	87,032
Fines and penalties	1,541	2,709
Entertainment	3,306	3,772
	(1,288,726)	698,985
Movements in unrecognised temporary differences	396,565	(3,735,936)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	892,161	3,036,951
Research and development grant	(1,934,613)	(851,148)
Income tax benefit	(1,934,613)	(851,148)

5. Income Tax *continued*

	2013 $	2012 $
(b) Unrecognised temporary differences		
Deferred tax assets (at 30%)		
Prepayments	-	-
Property, plant and equipment	-	19,555
Loans	963,811	520,623
Provisions	79,665	178,154
Capital raising costs	159,246	102,866
Carry forward revenue tax losses	8,813,519	7,701,584
	10,016,241	8,522,782
Deferred tax liabilities (at 30%)		
Unearned revenue	7,286	8,143
Capitalised tenement acquisition and exploration costs	7,279,223	7,654,752
	7,286,509	7,662,895

Potential future income tax benefits attributable to tax losses amounting to approximately $8,813,519 (2012: $7,701,584) at 2013 corporate tax rate of 30%, have not been brought to account at 30 June 2013 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
(b) the Company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

6. Earnings Per Share

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2013 Cents	2012 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(0.80)	0.60
From discontinued operations	-	(0.05)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.80)	0.55
Weighted average number of ordinary shares	339,207,416	300,263,509

	2013 $	2012 $
(b) Reconciliation of earnings used in calculating earnings per share		
(Loss)/profit attributable to the ordinary holders of the Company used in calculating the basic earnings per share:		
From continuing operations	(2,697,201)	1,811,231
From discontinuing operations	-	(162,533)
	(2,697,201)	1,648,698

6. Earnings Per Share *continued*

	2013 Cents	2012 Cents
(c) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.80)	0.59
From discontinued operations attributable to the ordinary equity holders of the Company	-	0.54
Weighted average number of ordinary shares to determine diluted earnings per share	339,207,416	306,599,623

7 Cash and Cash Equivalents

	2013 $	2012 $
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprises:		
Cash at bank and in hand	373,976	497,267
Short-term deposits	3,750,000	8,712,500
	4,123,976	9,209,767

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

	2013 $	2012 $
(b) Reconciliation of net profit/(loss) after income tax to net cash flows from operating activities		
Net loss/(profit) for the year	(2,697,201)	1,648,698
Adjustment for :		
Depreciation and amortisation	175,603	188,183
Exploration expenditure written off	274,012	1,778,285
Share options expensed	325,884	290,250
Gain on deconsolidation of subsidiary	-	(713,863)
Diminution in value of investment	660,796	1,743,419
Share of net loss on associate	550,023	299,962
Increase in market value of investments	9,390	(261,260)
Loss on disposal of plant and equipment	31,105	-
Foreign currency exchange differences	-	(415,210)
Gain on disposal of Royal Uranium Inc.	-	(2,537)
Gain on disposal of investments	-	-
Gain on disposal of tenements	(411,023)	(6,614,468)
Provision for non-recovery of loans	233,492	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	145,881	(425,302)
Increase in trade, other payables and provisions	43,390	845,314
Discontinued operations	-	(809,551)
Net cash used in operating activities	(658,648)	(2,448,080)

Non Cash Financing and Investing Activities

In the current year there are no non cash financing and investing activities.
In the prior year the Company sold Royal USA Inc. to Aldershot Resources Ltd and received 35,000,000 shares in Aldershot Resources Ltd.

8. Trade and Other Receivables

	2013 $	2012 $
(a) Current		
GST receivable	82,713	386,058
IRS withholding tax	-	170,532
Loan to Aldershot Resources Limited	-	200,121
Prepayments	51,277	50,909
Sundry debtors [1]	32,675	101,540
	166,665	909,160

Note:
1. Other receivables are non-interest bearing and generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 30 June 2013 no amounts are impaired or past due.

b) Non-current		
Opening balance	116,224	90,958
Discontinued operations	-	(20,443)
Loan to Aldershot Resources Limited[1]	233,492	-
Provision on loan to Aldershot Resources Limited	(233,492)	-
Placement of deposits	20,000	58,572
Redemption of deposits	(38,470)	(15,487)
Foreign currency exchange difference	-	2,624
Term deposit for bonds	97,754	116,224

Note:
1. Loan provided to Aldershot Resources Limited at an interest rate of 90 days Bank bill swap rate + 4% as at 30 June 2013. 100% provision has been booked against this loan.

9. Associated Companies

Interests that are held in the following associated company

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investments	
				2013	2012	2013	2012
Aldershot Resources Ltd	Mineral Exploration	Canada	Ord	40.69%	41.63%	$335,086	$1,554,429

	Consolidated Group 2013 $	2012 $
(a) Movements during the year in equity accounted investment in associated companies		
Balance at the beginning of the year	1,554,429	-
New investment during the year	-	3,597,810
Share of associated companies loss after tax	(550,023)	(299,962)
Share of translation reserve of associate	33,005	-
Share of fair value reserve of associate	(57,588)	-
Recognised value of share based payments of associate	16,059	-
Impairment	(660,796)	(1,743,419)
Balance at the end of the year	335,086	1,554,429
(b) Equity accounted profit/(loss) of associate are broken down as follows		
Share of associates loss before income tax	(550,023)	(299,962)
Share of associates income tax expense	-	-
	(550,023)	(299,962)

9. Associated Companies *continued*

	Consolidated Group 2013 $	2012 $
(c) Summarised presentation of aggregate assets, liabilities and performance of associates		
Current assets	519,529	328,683
Non current assets	619,433	2,651,597
Total assets	1,138,962	2,980,280
Current liabilities	72,830	419,557
Non current liabilities	210,120	390,987
Total liabilities	282,950	810,544
Net assets	856,012	2,169,736
(d) Revenues	-	-
(e) Loss after income tax of associate	(1,437,405)	(720,543)

At 30 June 2013 the market value of the shares that the Group held in Aldershot Resources Ltd was $335,086 and as at 13 August 2013 the market value was $345,377

10. Other Financial Assets (current)

	2013 $	2012 $
Listed shares at fair value		
Gascoyne Resources Limited	22,932	31,122
	22,932	31,122
Listed options at fair value		
Thundelarra Exploration Ltd	-	1,200
	22,932	32,322

Fair value is based on the market price of the shares at 30 June 2013

11. Controlled Entities

Name	Country of Incorporation	Percentage interest held		Carrying Amount of parent entity's investment	
		2013 %	2012 %	2013 $	2012 $
Razorback Iron Pty Ltd	AUS	100	100	20	20
Razorback Operations Pty Ltd	AUS	100	100	20	20
Red Dragon Mining Pty Ltd	AUS	100	100	20	20

12. Plant and Equipment

	2013 $	2012 $
Leasehold improvements, at cost	90,144	90,144
Less: accumulated depreciation	(82,119)	(77,915)
Less: disposal	(8,025)	-
	-	12,229
Plant and equipment, at cost	381,047	370,781
Less: accumulated depreciation	(224,227)	(158,050)
Less: disposal	(8,574)	-
	148,246	212,731
Office equipment, at cost	269,758	236,330
Less: accumulated depreciation	(193,056)	(160,364)
Less: disposal	(18,424)	-
	58,278	75,966
Motor vehicles, at cost	78,180	78,180
Less: accumulated depreciation	(48,257)	(35,434)
	29,923	42,746
Total property, plant and equipment	236,447	343,672

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	2013 $	2012 $
Leasehold improvements		
Carrying amount at the beginning of the year	12,229	19,567
Disposals	(8,025)	-
Depreciation	(4,204)	(7,338)
Carrying amount at the end of the year	-	12,229
Plant and equipment		
Carrying amount at the beginning of the year	212,731	168,003
Additions	10,266	107,407
Disposals	(8,574)	-
Depreciation	(66,177)	(62,679)
Carrying amount at the end of the year	148,246	212,731
Office furniture and equipment		
Carrying amount at the beginning of the year	75,966	83,141
Additions	33,428	25,962
Disposals	(18,424)	-
Depreciation	(32,692)	(33,137)
Carrying amount at the end of the year	58,278	75,966

12. Plant and Equipment *continued*

	2013 $	2012 $
Motor vehicles		
Carrying amount at the beginning of the year	42,746	34,565
Additions	-	26,110
Depreciation	(12,823)	(17,929)
Carrying amount at the end of the year	29,923	42,746
Total carrying amount	236,447	343,672

13. Exploration Expenditure

	2013 $	2012 $
At 1 July 2012	25,515,839	17,792,423
Exploration expenditure	4,559,133	13,456,236
Sale of Fields Find Project tenements to Mount Gibson (2012: Sale of Warriedar Project and Tenements to FMG)	-	(1,735,532)
Expenditure written off	(274,012)	(1,778,285)
Discontinued operations	-	(2,219,003)
At 30 June 2013	29,800,960	25,515,839

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subject to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

14. Intangibles

	2013 $	2012 $
Software and licences, at cost	185,878	163,702
Less: accumulated amortisation	(160,758)	(101,051)
	25,120	62,651

Reconciliation

Reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year are set out below:

Opening balance at 1 July 2012	62,651	105,748
Additions	22,176	24,003
Amortisation	(59,707)	(67,100)
Carrying amount at 30 June 2013	25,120	62,651

15. Trade and Other Payables (current)

	2013 $	2012 $
Trade payables [1]	432,368	1,636,738

Note 1: Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

16. Provisions (current)

Employee benefits	184,858	179,620

17. Contributed Equity and Reserves

(a) Issued and paid up capital	Number of shares 2013	Number of shares 2012	2013 $	2012 $
Ordinary shares	348,629,539	305,853,030	44,325,919	39,969,570
Shares to be issued	-	29,700,000	-	3,712,500
Total	348,629,539	335,553,030	44,325,119	43,682,070

(b) Movement in ordinary shares on issue

	Number of shares	Issue price $	Total $
Balance at 30 June 2011	263,333,671		33,121,746
Option conversion	20,000	0.080	1,600
Option conversion	3,030,132	0.100	303,013
Option conversion	6,727	0.120	807
Placement	962,500	0.165	158,813
Placement	38,500,000	0.180	6,930,000
Private placement	29,700,000	0.125	3,712,500
Less transaction costs	-	-	(546,409)
Balance at 30 June 2012	335,553,030		43,682,070
Option Conversion	100,000	0.080	8,000
Placement	12,976,509	0.049	635,849
Less transaction costs	-	-	-
Balance at 30 June 2013	348,629,539		44,325,919

(c) Movement in options on issue

	Balance at the beginning of the year	Issued during the year	Exercised during the year	Lapsed during the year	Expired during the year	Balance at the end of the year
Unquoted options exercisable at 50 cents, on or before 6 April 2013	1,500,000	-	-	-	(1,500,000)	-
Unquoted options exercisable at 8 cents, on or before 30 April 2013	1,700,000	-	(100,000)	-	(1,600,000)	-
Unquoted options exercisable at 30 cents, on or before 13 May 2013	1,125,000	-	-	-	(1,125,000)	-
Unquoted options exercisable at 30 cents, on or before 19 July 2013	150,000	-	-	-	-	150,000
Quoted options exercisable at 12 cents, on or before 31 October 2013	34,742,988	-	-	-	-	34,742,988
Unquoted options exercisable at 30 cents, on or before 30 November 2013	3,000,000	-	-	-	-	3,000,000
Unquoted options exercisable at 24 cents, on or before 9 June 2014	1,780,000	-	-	(65,000)	-	1,715,000
Unquoted options exercisable at 55 cents, on or before 26 November 2014	4,500,000	-	-	-	-	4,500,000
Unquoted options exercisable at 22.5 cents, on or before 9 July 2015	-	2,545,000	-	(115,000)	-	2,430,000
Unquoted options exercisable at 19 cents, on or before 29 July 2015	-	500,000	-	-	-	500,000
Unquoted options exercisable at 28 cents, on or before 29 November 2015	5,750,000	-	-	-	-	5,750,000
Unquoted options exercisable at 7.5 cents, on or before 25 March 2016	-	500,000	-	-	-	500,000
Unquoted options exercisable at 21 cents, on or before 27 November 2016	6,750,000	-	-	-	-	6,750,000
Unquoted options exercisable at 16 cents, on or before 27 November 2017	-	6,500,000	-	-	-	6,500,000
Total	60,997,988	10,045,000	(100,000)	(180,000)	(4,225,000)	66,537,988

(d) Reserves

	2013 $	2012 $
Listed option reserve		
Balance at the beginning of the year	1,007,941	1,007,941
Proceeds from option issue	-	-
Balance at the end of the year	1,007,941	1,007,941
Foreign currency		
Balance at the beginning of the year	-	638,916
Foreign currency translation	-	(638,916)
Share of translation reserve of associate	33,005	-
Balance at the end of the year	33,005	-
Share based payments reserve		
Balance at the beginning of the year	6,108,450	5,818,200
Options expense	325,884	290,250
Value of share based payments of associate	16,059	-
Balance at the end of the year	6,450,393	6,108,450
Fair value reserve		
Balance at the beginning of the year	-	-
Share of fair value reserve of associate	(57,588)	-
Balance at the end of the year	(57,588)	-
Total reserves at year end	7,433,751	7,116,391

Listed option reserve
This reserve is used to record the proceeds from the issue of listed options, net of expenses of the issue.

Foreign currency translation reserve
This reserve is used to record exchange differences arising on transactions of the Group entities that do not have a functional currency of Australian dollars and have been translated into Australian dollars for presentation purposes as described in note 2(w).

Share based payments reserve
This reserve is used to record the value of equity benefits provided to directors, employees and consultants as part of their remuneration. Refer note 26 for further details. Options were also issued to acquire an investment in an unlisted public company in the prior year.

18. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash, short term deposits and investments held for trading. The main purpose of these financial instruments is to maintain the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables.

(a) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises

	Floating interest rate		Fixed interest rate – 1 year or less		Non-interest bearing		Total	
Consolidated	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Financial assets								
Cash and cash equivalents	331,345	4,179,638	3,750,000	5,000,000	42,631	30,129	4,123,976	9,209,767
Trade and other receivables	-	200,121	97,754	116,224	166,665	709,039	264,419	1,025,384
Other financial assets	-	-	-	-	22,932	32,322	22,932	32,322
Total financial assets	331,345	4,379,759	3,847,754	5,116,224	232,228	771,490	4,411,327	10,267,473
Financial liabilities								
Trade and other payables	-	-	-	-	(432,368)	(1,636,738)	(432,368)	(1,636,738)
Total financial liabilities	-	-	-	-	(432,368)	(1,636,738)	(432,368)	(1,636,738)
Net financial assets/(liabilities)	331,345	4,379,759	3,847,754	5,116,224	(200,140)	(865,248)	3,978,959	8,630,735
Weighted average interest rate	1.75%	2.75%	3.66%	6.43%				

18. Financial Instruments *continued*

Reconciliation of net financial assets/ (liabilities) to net assets	2013 $	2012 $
Net financial assets/(liabilities) as above	3,978,959	8,630,735
Plant and equipment (note 12)	236,447	343,672
Exploration & evaluation expenditure (note 13)	29,800,960	25,515,839
Intangibles (note 14)	25,120	62,651
Provisions (note 16)	(184,858)	(179,620)
Investment in associate	335,086	1,554,429
Net assets per balance sheet	34,191,714	35,927,706

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's primary banker is National Australia Bank, at balance date a majority of all operating accounts are with this bank.

All funds on deposit are placed with reputable counterparties with an "A" credit rating or higher. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

(c) Net fair value of financial assets and liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value, except for the fair value of equity investments traded on organised markets which have been valued by reference to the market prices prevailing at balance date for those equity investments.

(d) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date. In prior periods the Group was exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

(e) Liquidity risk

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

(f) Market risk

The Group manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience.

18. FINANCIAL INSTRUMENTS *CONTINUED*

Financial Risk Management

Consolidated 2013 Financial assets	Level 1 $	Level 2 $	Total $
Financial assets at fair value through the profit or loss			
Investments held for trading	22,932	-	22,932
Total	22,932	-	22,932

Consolidated 2012 Financial assets	Level 1 $	Level 2 $	Total $
Financial assets at fair value through the profit or loss			
Investments held for trading	32,322	-	32,322
Total	32,322	-	32,322

Level 1
The fair value of these financial assets has been based on the closing quoted bid prices at reporting date.

Level 2
Valuation techniques such as those using comparisons to similar investments for which market observable rices are available have been adopted to determine the fair values of these investments.

19. SENSITIVITY ANALYSIS

(a) Interest rate risk

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

Consolidated 30 June 2013	Carrying amount $	Interest rate risk -1% Net loss $	 Equity $	Interest rate risk + 1% Net gain $	 Equity $
Financial assets					
Cash and cash equivalents	4,081,345	(40,813)	(40,813)	40,813	40,813
Other receivables	97,754	(978)	(978)	978	978
Total	4,179,099	(41,791)	(41,791)	41,791	41,791

Consolidated 30 June 2012	Carrying amount $	Interest rate risk -1% Net loss $	 Equity $	Interest rate risk + 1% Net gain $	 Equity $
Financial assets					
Cash and cash equivalents	9,209,767	(92,098)	(92,098)	(92,098)	(92,098)
Other receivables	316,345	(3,163)	(3,163)	(3,163)	(3,163)
Total	9,526,112	(95,261)	(95,261)	(95,261)	(95,261)

None of the Group's financial liabilities are interest bearing.

19. SENSITIVITY ANALYSIS *CONTINUED*

(b) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date. In prior periods the Group was exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The following foreign exchange rates applied during previous financial year:

	Average rate		Spot rate at reporting date	
Currency	2013	2012	2013	2012
AUD/CAD	-	1.0358	-	1.0454

20. COMMITMENTS

There are no outstanding commitments or contingencies which are not disclosed in the financial report of the Company as at 30 June 2013 other than:

(i) Mineral tenement expenditure commitments – Australia

	2013 $	2012 $
Within one year	-	103,697
After one year but not more than five years	624,262	2,770,000
More than five years	-	-
	624,262	2,873,697

The Group has expenditure obligations with respect to mineral tenements and minimum expenditure requirements on mineral tenements that have not been recognised as a liability or payable in the financial statements.

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Government Departments governing mineral exploration in each jurisdiction or state of Australia. The minimum commitment expenditures attached to the tenements are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

If the consolidated entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

These are necessary in order to maintain the tenements in which the Company and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Western Australia, South Australia and the Northern Territory.

(ii) Operating lease commitments

	2013 $	2012 $
Within one year	90,509	159,692
After one year but not more than five years	149,280	-
	239,789	159,692

The Company has a commercial lease on its corporate office premise in Perth. This is a non-cancellable lease expiring on 31 May 2016. The Company also has a commercial non-cancellable lease expiring on 31 December 2013 on its corporate office premise in Adelaide. The amount for these leases has not been recognised as liability or payable in the financial statements.

(iii) Bonds

At 30 June 2013 the Group has outstanding $77,754 (2012: $79,754) as a current bond provided by the Company's bank for mineral tenements.

(iv) Bank guarantee

At 30 June 2013 the Group has outstanding $20,000 (2012: $36,470) as a current guarantee provided by the Company's bank for corporate office lease. The Company has an available limit of bank guarantee facility of $222,246 and currently this facility has not been utilised by the Company.

21. Interest in Joint Ventures

The Group has entered into joint venture agreements with third parties in Australia, whereby the Group can earn an interest in exploration areas by expending specified amounts in the exploration areas.

The Group has an interest in the following joint venture:

Aldershot Joint Venture

The Aldershot Joint Venture is between the Company and Aldershot Resources Ltd, a TSX Venture Exchange listed company. The purpose of the joint venture is to explore, evaluate and mine uranium on 4 tenements located in the Northern Territory controlled by Aldershot Resources Ltd.

As per the terms and conditions of the joint venture agreement, the Company has met the minimum expenditure requirement. Royal now holds 60% interest in the tenements and is the JV manager.

22. Parent Entity

	2013 $	2012 $
Financial Position		
Assets		
Current assets	4,313,553	10,141,398
Non-current assets	30,644,916	28,051,398
Total assets	34,958,469	38,192,796
Liabilities		
Current liabilities	(617,226)	(1,816,358)
Net Assets	34,341,243	36,376,438
Equity		
Issued capital	44,325,919	43,682,070
Accumulated losses	(17,426,950)	(14,422,023)
Reserves		
Listed option reserve	1,007,941	1,007,941
Share based payments reserve	6,434,333	6,108,450
Total equity	34,341,243	36,376,438
Financial Performance		
Profit/(loss) for the year after income tax	(3,004,927)	2,870,259
Total comprehensive income/(loss)	(3,004,927)	2,870,259
Mineral tenement expenditure commitments		
Within one year	-	103,697
After one year but not more than five years	202,551	1,310,000
More than five years	-	-
	202,551	1,413,697

23. Events After the Balance Sheet Date

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2013 financial statements.

Issue of employee share options

On 15 July 2013 the Company granted 2,850,000 options to eligible employees under the employee share option plan. The options have an exercise price of 4.9 cents each and have an expiry date of 1 July 2016. The options were granted at no cost and carry no dividend or voting rights. The options are not quoted on the Australian Securities Exchange Ltd.

24. Auditor's Remuneration

	2013 $	2012 $
Audit and review of the financial report of the	64,129	60,575
	62,129	60,575

25. Directors and Executive Disclosures

(a) Details of directors and key management personnel

Directors

P G Crabb	Chairman	(Non-Executive)
M F Flis	Managing director	(Executive)
F DeMarte	Director	(Non-Executive)
M J Randall	Director	(Non-Executive)

Executive

T Heslop	Company Secretary & Chief Financial Officer

(b) Compensation for directors and key management personnel	2013 $	2012 $
Short term employee benefits	840,373	854,950
Annual leave provision	25,273	56,976
Post employment benefits	81,193	130,066
Share based payments	216,065	290,250
Long service leave	-	18,540
Total compensation	1,162,904	1,350,782

Directors and Executive Disclosures *continued*

(d) Options holding of directors and key management personnel

30 June 2013	Balance at beginning of year 01-Jul-12	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30-Jun-13	Vested at 30 June 2013 Total	Exercisable	Not exercisable
Directors								
P G Crabb	5,816,135	1,500,000	-	-	7,316,135	7,316,135	7,316,135	-
F DeMarte	5,769,733	1,500,000	-	-	7,269,733	7,269,733	7,269,733	-
B D Richardson[1]	2,600,000	-	-	(2,600,000)	-	-	-	-
M J Randall	2,948,197	1,500,000	-	-	4,448,197	4,448,197	4,448,197	-
M F Flis	8,154,766	2,000,000	-	(2,500,000)	7,654,766	7,654,766	7,654,766	-
Executive								
T J Heslop	650,000	1,000,000	-	-	1,650,000	1,650,000	1,650,000	-
Total	25,938,831	7,500,000	-	(5,100,000)	28,338,831	28,338,831	28,338,831	-

30 June 2012	Balance at beginning of year 01-Jul-11	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30-Jun-12	Vested at 30 June 2012 Total	Exercisable	Not exercisable
Directors								
P G Crabb	5,579,134	1,250,000	(12,999)	(1,000,000)	5,816,135	5,816,135	5,816,135	-
F DeMarte	5,769,733	1,750,000	-	(1,750,000)	5,769,733	5,769,733	5,769,733	-
B D Richardson[1]	4,545,363	750,000	(195,363)	(2,500,000)	2,600,000	2,600,000	2,600,000	-
M J Randall	2,698,197	1,000,000	-	(750,000)	2,948,197	2,948,197	2,948,197	-
M F Flis	7,654,766	2,000,000	-	(1,500,000)	8,154,766	8,154,766	8,154,766	-
Executive								
T J Heslop	650,000	-	-	-	650,000	650,000	650,000	-
Total	26,897,193	6,750,000	(208,362)	(7,500,000)	25,938,831	25,938,831	25,938,831	-

Note:

1 B D Richardson resigned as a Non-Executive Director on 29 June 2012

25. Directors and Executive Disclosures *continued*

(e) Shareholdings of directors and key management personnel

The number of shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below.

30 June 2013	Balance 01-Jul-12 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30-Jun-13 Ord
Directors					
P G Crabb	24,650,954	-	-	-	24,650,954
F DeMarte	3,688,135	-	-	-	3,688,135
B Richardson[1]	1,867,551	-	-	(1,867,551)	-
M Randall	1,887,383	-	-	-	1,887,383
M F Flis	1,833,366	-	-	166,666	2,000,032
Executive					
T J Heslop	220,000	-	-	-	220,000
Total	34,147,389	-	-	(1,700,885)	32,446,504

30 June 2012	Balance 01-Jul-11 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30-Jun-12 Ord
Directors					
P G Crabb	24,137,915	-	-	513,039	24,650,954
F DeMarte	3,688,135	-	-	-	3,688,135
B Richardson[1]	1,672,188	-	-	195,363	1,867,551
M Randall	1,887,383	-	-	-	1,887,383
M F Flis	1,833,366	-	-	-	1,833,366
Executive					
T J Heslop	220,000	-	-	-	220,000
Total	33,438,987	-	-	708,402	34,147,389

Note:
1 B D Richardson resigned as a Non-Executive Director on 29 June 2012

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(f) Loans to key management personnel

There were no loans to key management personnel during the year.

(g) Other transactions and balances with key management personnel and their related parties

Disclosures relating to other transactions and balances with key management personnel are included and set out in note 27.

26. Share Based Payments

Options are granted under the Company employee share option plan ("ESOP") which was approved by the directors on 30 November 2010. The ESOP is available to any person who is a director, or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company ("Eligible Person").

Subject to the rules set out in the ESOP and the listing rules, the Company (acting through the board) may offer options to any eligible person at such time and on such terms as the board considers appropriate.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The expense recognised in the income statement in relation to share-based payments during the financial year is disclosed in consolidated statement of comprehensive income.

26. SHARE BASED PAYMENTS *CONTINUED*

The following table illustrates the number and weighted average exercise price of and movements in share options issued during the year:

	2013 Number	2013 WAEP $	2012 Number	2012 WAEP $
Outstanding at beginning of the year	26,255,000	0.31	27,910,000	0.38
Granted during the year	10,045,000	0.17	6,750,000	0.21
Exercised during the year	(100,000)	0.08	(20,000)	0.08
Expired/lapsed during the year	(4,405,000)	0.28	(8,385,000)	0.46
Outstanding at the end of the year	31,795,000	0.27	26,255,000	0.31
Exercisable at the end of the year	31,795,000		26,255,000	

a) Issue of directors options

On the 28 November 2012 approval was granted at annual general meeting to issue the directors of the Company with 6,500,000 options. The options have an exercise price of 16 cents each and have an expiry date of 27 November 2017. The options were granted at no cost and carry no dividend or voting rights. The options are not quoted on the Australian Securities Exchange Ltd.

(b) Issue of employee options

During the financial year the Company granted below employee share options.

- On 10 July 2012, the Company granted 2,545,000 options with an exercise price of 22.5 cents each expiring on 9 July 2015;
- On 30 July 2012, the Company granted 500,000 options with an exercise price of 19 cents each expiring on 9 July 2015; and
- On 26 March 2013, the Company granted 500,000 options with an exercise price of 7.5 cents each expiring on 25 March 2016.

(i) the weighted average remaining contractual life for the options outstanding as at 30 June 2013 is 2.58 years (2012: 2.73 years);

(ii) the weighted average exercise price for options outstanding at the end of the year was $0.27 (2012: $0.31);

(iii) the weighted average exercise price of options granted during the year was $0.17 (2012: $0.21); and

(iv) the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2013.

Number of options	6,500,000	2,545,000	500,000	500,000
Share Price at grant date	7.5 cents	15 cents	13 cents	4.6 cents
Option exercise price	16 cents	22.5 cents	19 cents	7.5 cents
Expiry date	27/11/17	9/07/15	29/07/15	25/03/16
Expected life of the option	5 years	3 years	3 years	3 years
Vesting period (months)	-	-	-	-
Dividend yield (%)	-	-	-	-
Expected volatility (%)	77%	90%	90%	91%
Risk-free interest rate (%)	2.86%	2.33%	2.58%	3%
Fair value of options	2.5 cents	5.1 cents	4.5 cents	1.6 cents
Vesting date	Grant Date	Grant date	Grant Date	Grant date

The following table lists the inputs to the model used for the year ended 30 June 2012.

Number of options	6,750,00	Dividend yield (%)	-
Share Price at grant date	13.5	Expected volatility (%)	62%
Option exercise price	21 cents	Risk-free interest rate	3.26%
Expiry date	27/11/20	Fair value of options	4.3 cents
Expected life of the option (years)	5 years	Vesting date	Grant date
Vesting period (months)	-		

27. Related Party Disclosures

Amounts paid and payable to Thundelarra Limited, in which the directors are directors and shareholders, in the normal course of business in 2013 for office rentals, administration and employee services totalled $174,165 (2012: $187,381) and the balance included in trade creditors is $500 (2012: $1,784). Amounts received and receivable from Thundelarra Limited in the normal course of business totalled $68,790 (2012: $5,000)

Amounts received and receivable from a company, in which Mr Philip Crabb's trust Ioma Pty Ltd is a shareholder, in the normal course of business in 2013 for employee services totalled $8,619 (2012: $2,397).

A loan of $233,492 was made to Aldershot Resources Ltd in which the directors are directors and shareholders. This amount is part of a loan agreement that has been entered with this company. Costs incurred in the normal course of business for exploration expenditure in relation to a farm-in joint venture with Aldershot Resources Ltd totalled $141,900 (2012: $453,302). Amounts paid and payable to Aldershot Resources Ltd in the normal course of business totalled $1,375 (2012: $26,184) and the balance included in trade creditors $Nil (2012: $Nil). Amounts received and receivable from Aldershot Resources Ltd in the normal course of business totalling $10,423(2012: $53,234) and the balance included in trade and other receivables $183 (2012: $695).

Loans advanced to subsidiary, Razorback Iron Pty Ltd total $23,308,599 (2012: $19,898,956) at 30 June 2013.

Loans advanced to subsidiary, Razorback Operations Pty Ltd total $677 (2012: $10,207) at 30 June 2013.

Loans advanced to subsidiary, Red Dragon Mining Pty Ltd total $828 (2012: $598) at 30 June 2013.

28. Contingent Liabilities

Razorback, a wholly owned subsidiary of the Company, has paid an initial amount of $4,950,000 to Mintech to acquire EL/4267.

On 9 December 2010, in response to a request by Mintech that the Company considered an early payment of the Pre-feasibility study amount ($10 million), the Company negotiated a reduced payment of $2.5 million (payable by Razorback) on the basis of both the time value of money and the acceptance of a higher risk by the Company in the absence of a PFS being completed.

Additional amounts are due and payable upon completing the milestones associated with further developing this resource are detailed below;

	2013 $	2012 $
Financial Position		
Bankable feasibility study	20,000,000	20,000,000
Total	20,000,000	20,000,000

The Company has entered into an exclusive option agreement with Goldus Pty Ltd for the right to access, for the purposes of iron ore exploration, and acquire exploration licences EL/3927 and EL/3997. An annual option fee of $50,000 is payable with a right to exercise the option to acquire both EL's for a payment of $10 million. The option is for a ten year period. The Company also retains the right of first right of refusal on any other minerals found on these two tenements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Royal Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with accounting standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial report also complies with International Financial Reporting Standards as described in note 2(b).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the board

Marcus F Flis
MANAGING DIRECTOR

16 August 2013

Perth, Western Australia

INDEPENDANT AUDIT REPORT TO THE MEMBERS

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ROYAL RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Royal Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Stantons International

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Royal Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 28 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion
In our opinion the remuneration report of Royal Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
16 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd
Trading as
Stantons International
Chartered Accountants and Consultants

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16 August 2013

Board of Directors
Unit 4, Level 1,
28 Kintail Road
Applecross WA 6153

Dear Directors

RE: ROYAL RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Royal Resources Limited.

As Audit Director for the audit of the financial statements of Royal Resources Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

The following information dated 13 August 2013 is required by the Listing Rules of the ASX Limited.

1. Distribution and Number of Holder of Equity Securities

The number of holders, by size of holding, in each class of security are:

	Fully paid ordinary shares	2013 Quoted Options
1 – 1,000	473	79
1,001 – 5,000	613	169
5,001 – 10,000	282	89
10,001 – 100,000	905	208
100,001 and over	362	57
Totals	2,635	602
Holding less than a marketable parcel	1,475	538

2. Twenty Largest Holders of Quoted Securities

(a) Ordinary Shares

Holder	Shares Held Number	%
LODESTONE EQUITIES LIMITED	78,476,509	22.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,558,450	10.20
RAGGED RANGE MINING PTY LTD & ASSOCIATES	24,375,954	6.99
CITICORP NOMINEES PTY LIMITED	15,095,763	4.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,000,000	3.16
MR RICK WAYNE CRABB	4,919,362	1.41
NORILSK NICKEL AUSTRALIA PTY LTD	4,550,000	1.31
FORSYTH BARR CUSTODIANS LTD	3,720,380	1.07
MR FRANK DEMARTE	3,688,135	1.06
THUNDELARRA EXPLORATION LTD	2,872,265	0.82
JP MORGAN NOMINEES AUSTRALIA LIMITED	2,780,782	0.80
UOB KAY HIAN PRIVATE LIMITED	2,420,555	0.69
MR CHING WOO GOH	2,413,716	0.69
WESTESSA HOLDINGS PTY LTD	2,229,858	0.64
MR ROSS SPENCER	2,146,000	0.62
MR MARCUS FLIS	2,000,032	0.57
RENIQUE HOLDINGS PTY LTD	1,887,383	0.54
MR EDWIN LEIGH DAVIES + MRS SUSAN LINDA DAVIES	1,782,084	0.51
MR WILLIAM JANSEN + MRS MARILYN GAIL JANSEN	1,660,000	0.48
MR MICHAEL ERNEST GRANATA	1,650,000	0.47
Total	205,227,228	58.87

ASX ADDITIONAL INFORMATION

2. Twenty Largest Holders of Quoted Securities *CONTINUED*

(b) Options expiring 31 October 2013

Holder	Options Held Number	%
SIN-TANG DEVELOPMENT PTE LTD	3,333,333	9.59
AUS-ORE INVESTMENTS PTY LTD	3,171,802	9.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,037,143	8.74
RAGGED RANGE MINING PTY LTD & ASSOCIATES	2,066,135	5.95
MR WILLIAM JANSEN + MRS MARILYN GAIL JANSEN	1,250,000	3.60
CHIN NOMINEES PTY LTD	1,000,000	2.88
MR RICK WAYNE CRABB	725,266	2.09
NORILSK NICKEL AUSTRALIA PTY LTD	650,000	1.87
UOB KAY HIAN PRIVATE LIMITED	630,555	1.81
MR CHING PING CHIH + MRS MARGARET CHIH	560,876	1.61
MR FRANK DEMARTE	519,733	1.50
LACEGLEN HOLDINGS PTY LTD	465,165	1.34
MR RONALD ROSS MARTIN + MRS VERNA RUTH MARTIN	426,302	1.23
THUNDELARRA EXPLORATION LTD	410,323	1.18
MR MARCUS FLIS	404,766	1.17
MR REX EDWARD TURNER + MISS ERIN KATE TURNER	400,000	1.15
MRS ANJANA NANDHA	389,409	1.12
MR ANDREW DAVID EVANS + MRS REBECCA CATHERINE EVANS	352,110	1.01
CHETAN ENTERPRISES PTY LTD	336,557	0.97
MR WARREN NEAL TUTTIETT	331,249	0.95
Total	20,460,724	58.89

3. Substantial Shareholders

An extract from the Company's register of substantial shareholders is set out below:

Name	Number of Shares Held	%
LODESTONE EQUITIES LIMITED	78,476,509	22.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,558,450	10.20
RAGGED RANGE MINING PTY LTD & ASSOCIATES	24,375,954	6.99

4. Voting Rights

The Company's share capital is of one class with the following voting rights:

(a) Ordinary Shares

On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The Company's options have no voting rights.

5. Stock Exchange Listing

Royal Resources Limited ordinary shares are listed on all member exchanges of the ASX Limited.
The home exchange is the ASX Limited.

6. Restricted Securities

There are no ordinary shares on issue that have been classified by the ASX Limited, Perth as restricted securities.

7. Schedule of Tenements

Tenement Name	Tenement Number and Type	Holder/ Application	Share Held	Status
Amangal	EL27354	ROY ALZ	60 40	Granted 2/12/09
Cooper Hill	ELA 2013/00113	ROY	100	Pending (applied 24/05/13)
Djambdimba	EL28701	ROY	100	Granted 1/11/11
George	EL24550	ROY ALZ	60 40	Granted 12/12/05
Ngalia	EL24571	ROY ALZ	60 40	Granted 7/12/05
Ooldea	ELA 2013/00056	ROY	100	Pending (applied 26/02/13)
Razorback	EL5180	ROY GDS	0 100	Granted 17/09/12 ROY iron option
Razorback	EL5240	ROY GDS	0 100	Granted 10/12/12 ROY iron option
Razorback	EL4267	ROY	100	Granted 22/06/09
Razorback	EL4811	ROY	100	Granted 1/12/11
Waterhouse West	EL24563	ROY ALZ	60 40	Granted 18/01/07
Watertank	P63/1361	ROY	100	Granted 6/08/07
Watertank	P63/1362	ROY	100	Granted 6/08/07
Watertank	P63/1363	ROY	100	Granted 6/08/07
Wild Dog Dam	ELA 2013/00128	ROY	100	Pending (applied 19/07/13)
Yatjalu West	EL28700	ROY	100	Granted 2/11/11

Key to Tenement Type

EL = Exploration Licence
ELA = Exploration Licence Application
P = Prospecting Licence

Key to Holders

ALZ = Aldershot Resources Ltd
GDS = Goldus Pty Ltd
ROY = Royal Resources Limited

Corporate Information

Directors

PHILLIP G CRABB
Non-Executive Chairman

MARCUS F FLIS
Managing Director

FRANK DEMARTE
Non-Executive Director

MALCOLM J RANDALL
Non-Executive Director

Company Secretary

TONY HESLOP

Stock Exchange Listing

Australian Securities Exchange Ltd
Code: ROY

Website

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Share Register

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