

ASX Announcement: ROY

8 October 2009



LANDMARK MEMORANDUM OF UNDERSTANDING SIGNED FOR IRON ORE JOINT VENTURE

Key Points:

- Royal has entered into a conditional MOU with Sin-Tang Development Pte Ltd to form a joint venture to explore and develop the Razorback Iron Project
- Sin-Tang will sole contribute to the JV once Royal defines a minimum Inferred Resource of 250Mt
- Sin-Tang will earn up to a 50% interest in the Razorback Iron Project through the contribution of AUD\$50 million
- It is anticipated that the contribution amount will be sufficient to free-carry Royal for all exploration and Feasibility Study costs at Razorback
- Sin-Tang will be entitled to 50% of the expected magnetite concentrate production, currently envisaged to be 10 million tonnes per annum

The Board of Royal Resources Limited ASX:ROY (Royal) are delighted to announce the signing of a legally binding Memorandum of Understanding (MOU) between Royal and Sin-Tang Development Pte Ltd with respect to the Razorback magnetite deposit located in South Australia. Royal's acquisition of the Razorback Iron Project was announced on 16 September 2009.

The MOU envisages four phases:

Phase I Within 2 days of execution of the MOU, Royal will issue to Sin-Tang 8,869,108 ordinary fully paid shares in the capital of Royal at a price of 15 cents per share. Subject to shareholder approval, Sin-Tang will also receive:

- an additional 5,000,000 ordinary fully paid shares in the capital of Royal at a price of 15 cents per share;
- an additional 5,000,000 ordinary fully paid shares in the capital of Royal at a price of 10 cents per share; and
- 3,333,333 New Options with an exercise price of 10 cents each and an expiry date of 31 October 2011.

Royal will undertake initial resource assessment at Razorback.

Phase II On defining a minimum 250Mt of Inferred Resource, Sin-Tang will pay A\$10 million into the JV to earn a 13.64% interest in the JV. The funds will be used by the JV towards the completion of a Pre-Feasibility Study and further resource definition drilling of the deposit.

Phase III A A\$20 million payment will be made by Sin-Tang to the JV once the PFS is delivered to earn an additional 18.18% interest in the JV. A\$5 million of this will be used by the JV to pay FeRUS Pty Ltd under the consultancy agreement announced on 16 September 2009. The remaining funds will be used by the JV in connection with the completion of a Bankable Feasibility Study. Sin-Tang will have earned 31.82% of the JV.

Phase IV A final A\$20 million payment will be made by Sin-Tang to the JV on the delivery of the BFS to earn an additional 18.18% interest in the JV. These funds are to be used to pay the final A\$20 million consultancy fee to FeRUS. Sin-Tang will have earned 50% of the JV.

Phases II, III and IV are conditional on:

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

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

Key principles of the JV

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

Royal will be the operator/manager of the JV.

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

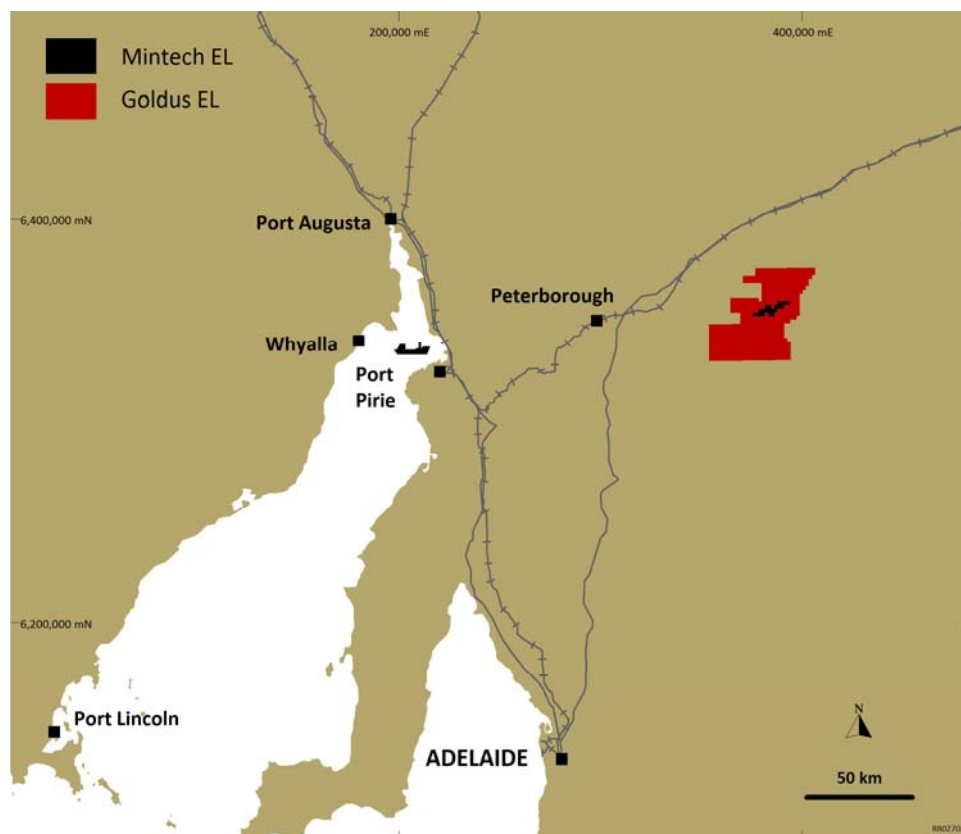
The JV will establish a management committee under which with Sin-Tang and Royal will each hold 50% of the voting rights on the committee unless Sin-Tang ceases its earn-in at the completion of a phase. In such a situation, voting rights will be proportional to interest held. Royal anticipates that the detailed Joint Venture Agreement will be finalised and ready for execution by the parties in November 2009.

The Razorback Iron Project

As announced on 16 September 2009, Royal secured the Razorback Ridge magnetite deposit in South Australia by entering into an agreement to buy all the shares in private company Mintech Resources Pty Ltd.

The Razorback Iron Project is a potentially very large deposit that will be easy to beneficiate, and be able to use existing open access under-utilised rail and port. The project occurs only 40 kilometres to the south of the Broken Hill to Port Pirie section of the Indian-Pacific railway and 170 kilometres north-east of Port Pirie. Electricity and gas are available at Peterborough, less than 80 kilometres from the project. This easy access to existing infrastructure is exceptional amongst magnetite projects in Australia, giving Razorback a unique opportunity for fast-track, cheap development.

Figure 1: Razorback Iron Project Location



Razorback Ridge was discovered and evaluated by the South Australian Government in the late 1960s¹. Drilling, adit development, and metallurgical testing at that time identified magnetite mineralisation that now constitutes an exploration target of 500Mt to 1,000Mt at 25% to 65% Fe². Royal has secured the lease over the deposit in addition to in excess of 1,450 square kilometres of surrounding leases held by Goldus Pty Ltd and subject to an Option Deed giving Royal the right to explore for iron ore. The Goldus ground holds in excess of 100 strike kilometres of untested magnetite host rock that provides Royal with significant exploration upside.

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

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

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

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

About Sin-Tang Development Pte Ltd

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

The company's major shareholders are:

- Mr Du Zhenzeng, Founder and Owner of Tangshan Ganglu Iron & Steel Co. Ltd, Hebei Province, China, currently producing 4 million tonnes of steel per annum, with expansion to 5 million tonnes per annum by end of 2009. Mr.Du holds a 40% share in Sin-Tang.
- Mr Zhou LianMing, Founder and Owner of Hebei Xinquan Coking Co, currently operating a 1 million tonne delayed coking operation, with further expansion. Mr Zhou owns 25% of Sin-Tang.
- Mr Xie Yuzheng, a trader in Iron Ore with an annual trade of 7 million tonnes per annum. He is currently on the boards of Auvex Resource Ltd, a listed company producing manganese ore, and Jupiter Mines Ltd, an ASX listed company. Mr Xie owns 30% of Sin-Tang.

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

Mr Du, Chairman of Sin-Tang said: "Sin-Tang are very delighted to be in JV with Royal and are looking forward to a successful partnership and hope to fast track the project with the technical assistance of Royal and the finance from Sin-Tang and its associates."

The Royal Board view this development as a company-changing event. "Royal is extremely pleased to enter into this MOU with an experienced iron ore partner such as Sin – Tang. We look forward to a long and fruitful association. Successful development at Razorback will be significant to our shareholders, South Australia and the Commonwealth at large as this project presents an opportunity to produce high quality iron concentrate. Existing infrastructure will be an important feature of the project as it could lead to early export of iron concentrate through the open-access heavy duty rail and a currently under-utilised port in South Australia", Chairman, Mr Phil Crabb.

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

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