ROYAL
RESOURCES LIMITED

INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2013

CONTENTS

CORPORATE DIRECTORY

DIRECTORS	Philip G Crabb Marcus Flis Frank DeMarte Malcolm RJ Randall	(Non-Executive Chairman) (Managing Director) (Executive Director) (Non-Executive Director)
COMPANY SECRETARY	Frank DeMarte	(Appointed on 20 August 2013)
	Tony Heslop	(Ceased employment on 20 August 2013)
REGISTERED OFFICE	Unit 4, Level 1 28 Kintail Road Applecross, Western Australia 6153	
	PO Box 1014 Canning Bridge, Applecross Western Australia 6153	
	Telephone: Facsimile:	(+61 8) 9316 1356 (+61 8) 9315 3626
	Email: Website:	info@royalresources.com.au www.royalresources.com.au
SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace PERTH WA 6000	
	Telephone: Facsimile:	(08) 9323 2000 (08) 9323 2033
AUDITORS	Stantons International Audit and Consulting Pty Ltd Level 2, 1 Walker Avenue WEST PERTH WA 6005	
STOCK EXCHANGE LISTING	The Company's shares are listed and quoted on the Australian Securities Exchange Limited ("ASX").	
	Home Exchange: Perth, Western Australia	
	ASX Code: ROY	

DIRECTORS' REPORT

The directors present their financial statements for the half year ended 31 December 2013.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this statement are set out below. Directors were in office for this entire period unless otherwise stated.

Philip G Crabb	(Chairman)
Marcus Flis	(Managing Director)
Frank DeMarte	
Malcolm RJ Randall	

RESULT

The operating gain/(loss) of the Consolidated Entity after tax for the period ended 31 December 2013 was $1,945,198 (2012: Loss $743,415).

REVIEW OF OPERATIONS

During the period, the Consolidated Entity continued its iron ore and uranium exploration activities in Australia. The Consolidated Entity retains its uranium exploration activities in the USA via its interest in Aldershot Resources Ltd. (Aldershot)

EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the Group in the future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of Royal Resources Limited is set out on page 3 and forms part of the Directors' Report for the period ended 31 December 2013.

This statement is signed in accordance with a resolution of the Directors:

Marcus Flis
Managing Director

Perth, Western Australia
30 January 2014

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

30 January 2014

Board of Directors
Royal Resources Limited
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 review of the financial statements of Royal Resources Limited for the six months ended 31 December 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 review; and

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

Yours faithfully

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

Martin Michalik

Martin Michalik
Director

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated 31 December 2013 $	 31 December 2012 $
REVENUE FROM CONTINUING OPERATIONS			
Finance revenue	3(a)	66,781	153,496
Other income	3(b)	96,403	31,565
		163,184	185,061
EXPENDITURE			
Depreciation and amortisation expenses		(50,060)	(89,830)
Employee benefits expenses	3(c)	(1,018,334)	(1,194,114)
Exploration expenses		(194,059)	(193,236)
Other expenses	3(d)	(753,403)	(819,625)
Share of net loss of associate	3(e)	(153,377)	(460,091)
Reversal of /(increase in) impairment provision	3(e)	159,554	(106,193)
Profit/(Loss) from continuing operations before income tax expense		(1,846,495)	(2,678,028)
Income tax benefit	4	3,791,693	1,934,613
Net Profit/(Loss) from continuing operations for the period		1,945,198	(743,415)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of translation reserve of associate	3(e)	38,549	(20,976)
Share of fair value reserve of associate	3(e)	(38,569)	(37,981)
Items that will not be reclassified to profit or loss		-	-
Total comprehensive income/(loss) for the period		1,945,178	(802,372)
Net Profit/(Loss) attributable to:			
Members of the parent entity		1,945,198	(743,415)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		1,945,178	(802,372)
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity:		Cents per share	Cents per share
Basic earnings/(loss) for the half-year	5	0.56	(0.28)
Diluted earnings/(loss) for the half-year	5	0.56	(0.28)

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	4,087,180	4,123,976
Trade and other receivables		271,515	166,665
Other financial assets		22,933	22,932
Total Current Assets		4,381,628	4,313,573
Non-Current Assets			
Trade and other receivables		97,754	97,754
Investment in associate	3(e)	341,243	335,086
Property, plant and equipment		194,633	236,447
Exploration and evaluation expenditure		32,035,059	29,800,960
Intangibles		11,130	25,120
Total Non-Current Assets		32,679,819	30,495,367
TOTAL ASSETS		37,061,447	34,808,940
LIABILITIES			
Current Liabilities			
Trade and other payables		630,915	432,368
Provisions		106,618	184,858
Total Current Liabilities		737,533	617,226
TOTAL LIABILITIES		737,533	617,226
NET ASSETS		36,323,914	34,191,714
EQUITY			
Contributed equity	9(a)	44,325,919	44,325,919
Reserves		7,620,753	7,433,751
Accumulated losses		(15,622,758)	(17,567,956)
TOTAL EQUITY		36,323,914	34,191,714

The accompanying condensed notes forms part of the financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated 31 December 2013 $	 31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,753,089)	(1,669,636)
Other revenue received		89,877	-
Interest received		70,082	146,653
Payment for exploration and evaluation		(114,619)	(193,236)
Income tax benefit – R&D refund		3,791,693	1,934,613
Net cash flows from operating activities		2,083,944	218,394
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements, exploration and evaluation expenditure		(2,126,132)	(3,980,684)
Payments for plant and equipment		(7,050)	(38,079)
Payments for intangibles		-	(22,176)
Proceeds from disposal of fixed assets		12,442	-
Redemption of security deposits		-	2,000
Net cash flows used in investing activities		(2,120,740)	(4,038,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		-	8,000
Net cash flows from financing activities		-	8,000
Net decrease in cash and cash equivalents		(36,796)	(3,812,545)
Cash and cash equivalents at the beginning of period		4,123,976	9,209,767
Cash and cash equivalents at the end of period	7	4,087,180	5,397,222

The accompanying condensed notes forms part of the financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Consolidated	Equity $	Accumulated losses $	Option Reserve $	Share Based Payments Reserve $	Foreign Currency Reserve $	Fair Value Reserve $	Total $
Balance at 1 July 2013	44,325,919	(17,567,956)	1,007,941	6,450,393	33,005	(57,588)	34,191,714
Total comprehensive income for the period							
Gain for the period	-	1,945,198	-	-	-	-	1,945,198
Share of translation reserve of associate	-	-	-	-	38,549	-	38,549
Share of fair value reserve of associate	-	-	-	-	-	(38,569)	(38,569)
Total comprehensive gain/(loss) for the period	-	1,945,198	-	-	38,549	(38,569)	1,945,178
Transactions with owners recorded directly in equity:							
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-
Recognised value of share based payments	-	-	-	187,022	-	-	187,022
Recognised value of share based payments of associate	-	-	-	-	-	-	-
Balance at 31 December 2013	44,325,919	(15,622,758)	1,007,941	6,637,415	71,554	(96,157)	36,323,914

Consolidated	Equity $	Accumulated losses $	Option Reserve $	Share Based Payments Reserve $	Foreign Currency Reserve $	Fair Value Reserve $	Total $
Balance at 1 July 2012	43,682,070	(14,870,755)	1,007,941	6,108,450	-	-	35,927,706
Total comprehensive income for the period							
Loss for the period	-	(743,415)	-	-	-	-	(743,415)
Share of translation reserve of associate	-	-	-	-	(20,976)	-	(20,976)
Share of fair value reserve of associate	-	-	-	-	-	(37,981)	(37,981)
Total comprehensive gain/(loss) for the period	-	(743,415)	-	-	(20,976)	(37,981)	(802,372)
Transactions with owners recorded directly in equity:							
Contributions of equity, net of transaction costs	8,000	-	-	-	-	-	8,000
Recognised value of share based payments	-	-	-	318,127	-	-	318,127
Recognised value of share based payments of associate	-	-	-	14,482	-	-	14,482
Balance at 31 December 2012	43,690,070	(15,614,170)	1,007,941	6,441,059	(20,976)	(37,981)	35,465,943

The accompanying condensed notes forms part of the financial statements

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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Royal Resources Limited and its controlled entities during the period ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Apart from the changes in disclosure noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

a) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 2(b) below.

b) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

(i) *Consolidated financial statements, joint arrangements and disclosure of interests in other entities*

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 11: *Joint Arrangements;*
- AASB 128: *Investments in Associates and Joint Ventures* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;* and
- AASB 2012-10: *Amendments to Australian Accounting Standards — Transition Guidance and* Other *Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

- *Consolidated financial statements:*

  AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations)* from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012-2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 2(c).

- *Joint arrangements:*

AASB 11 requires joint arrangements to be classified as either "joint operations" (where 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). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will generally be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted. However, this will not have any impact on the Group's financial statements as the Group's interest in joint ventures is currently accounted for using the equity method of accounting.

When changing from the proportionate consolidation method to the equity method upon initial application of AASB 11, investments in joint ventures are required to be recognised as at the beginning of the immediately preceding year (ie as at 1 July 2012) and measured as the aggregate of the carrying amounts of the assets and liabilities that the investor had previously proportionately consolidated, including any goodwill arising from acquisition. This amount is regarded as the deemed cost of the investment at initial recognition, and is subject to impairment testing at that point in time. If aggregating all previously proportionately consolidated assets and liabilities results in a negative net asset amount, the investor recognises a liability to the extent that it has a legal or constructive obligation with respect to the negative net assets, and recognises any balance of the negative net assets as an adjustment to opening retained earnings.

Although the first-time application of AASB 11 (together with the associated Standards) caused certain changes to the Group's accounting policy for accounting for joint ventures and classification of joint arrangements, the directors have determined that such changes did not have any significant impact on the amounts reported in the Group's financial statements, mainly because the Group's classification of joint arrangements did not change. However, the revised accounting policy for joint arrangements is set out in Note 2(d).

Disclosure of interest in other entities:

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. There are no new disclosures that are material to this interim financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12. Further, as required by AASB 12, details of the significant judgments made in determining the controlled entity status of subsidiaries are disclosed in Note 8.

(ii) *Fair value measurements and disclosures*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB* 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided where applicable. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as, set out in Note 2(e), should be incorporated in these financial statements.

(iii) *Other*

Other new and amending Standards that became applicable for the first time during this half-year reporting period are as follows:

AASB 2012-2: *Amendments to Australian Accounting Standards — Disclosures — Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.*

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

c) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Royal Resources Limited and its subsidiaries as at 31 December 2013 ('the Group').

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Royal Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 8.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income

d) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

e) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

f) Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2013.

g) Mineral exploration and evaluation

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of profit and loss in the period when the new information becomes available.

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 valuation 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.

3. REVENUE AND EXPENSES

Revenues and expenses from continuing operations:

			Consolidated	
			31 December 2013 $	31 December 2012 $
a)	**Finance revenue**			
	Bank interest received and receivable		66,781	153,496
b)	**Other Income**			
	Sundry income		96,403	17,642
	Increase in market value of investments		-	13,923
			96,403	31,565
c)	**Employee benefits expense**			
	Share based payments (note 11a)		187,022	318,127
	Salaries and wages		831,312	875,987
			1,018,334	1,194,114
d)	**Other expenses**			
	Contractors and consultants services		546,990	399,876
	General and administrative expenses		206,061	419,749
	Loss on disposal of property, plant and equipment	3(f)	352	-
			753,403	819,625
e)	**Investment accounted for using equity method**			
	Balance at the beginning of the year		335,086	1,554,429
	Share of associated company's loss after tax		(153,377)	(460,091)
	Share of translation reserve of associate		38,549	(20,976)
	Share of fair value reserve of associate		(38,569)	(37,981)
	Recognised value of share based payments of associate		-	14,482
	Reversal of/(increase in) impairment provision		159,554	(106,193)
			341,243	943,670

At 31 December 2013 the market value of the shares that the group held in Aldershot was $341,243 and as at 30 January 2014 the market value was $331,092.

f)	**Loss on disposal of property, plant and equipment**			
	Proceeds from disposal of property, plant and equipment		12,442	-
	Less carrying value of disposed property, plant and equipment		(12,794)	-
	Net loss on disposal of property, plant and equipment	3(d)	(352)	-

4. INCOME TAX BENEFIT

	31 December 2013 $	31 December 2012 $
Income Tax Benefit	3,791,693	1,934,613

Research and Development Income Tax Benefit relating to the financial year ended 30 June 2013 of $1,277,076 and financial year ended 30 June 2012 of $2,514,617 were received during the period ended 31 December 2013.

5. EARNINGS PER SHARE

	31 December 2013 Cents	31 December 2012 Cents
Basic earnings per share (cents per share)	0.56	(0.28)
Diluted earnings per share (cents per share)	0.56	(0.28)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	348,629,539	263,433,671
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	348,629,539	263,433,671

6. SEGMENT INFORMATION

Royal Resources Limited operates within the exploration industry in Australia and has an interest in Aldershot, a TSX Venture Exchange listed company.

The consolidated entity has applied AASB 8 Operating Segments. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the Company reports its segment information to the Board. The change in policy has not resulted in a change to the disclosure presented.

Primary Reporting Geographical Segments	Segment Revenues	Segment Revenues	Segment Results	Segment Results
	Dec 2013 $	Dec 2012 $	Dec 2013 $	Dec 2012 $
Australia	163,184	185,061	1,945,177	(327,799)
Canada	-	-	21	(415,616)
Eliminations/Unallocated	-	-	-	-
Total	163,184	185,061	1,945,198	(743,415)

Primary Reporting Geographical Segments	Segment Assets	Segment Assets	Segment Liabilities	Segment Liabilities
	Dec 2013 $	June 2013 $	Dec 2013 $	June 2013 $
Australia	36,720,204	34,473,854	737,533	617,226
Canada	341,243	335,086	-	-
Eliminations/Unallocated	-	-	-	-
Total	37,061,447	34,808,940	737,533	617,226

7. CASH AND CASH EQUIVALENTS

For the purposes of the half year Condensed Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Cash at bank and in hand	337,180	373,976
Short-term deposits	3,750,000	3,750,000
	4,087,180	4,123,976

Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at call earn interest on a 30 to 180 day term basis at bank deposit rates.

8. 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
Ironback Pty Ltd[1]	AUS	100	-	100	-

Note 1: Ironback Pty Ltd, a new wholly owned subsidiary (limited by shares) of the Company was incorporated on 9 December 2013.

The Company has a direct equity interest of 40.69% in Aldershot Resources Ltd (Aldershot) a listed company on the Toronto Stock Exchange. Whilst the Company has a significant equity interest in Aldershot, the directors have determined that the Company does not control Aldershot as it does not have the power or current ability to direct the activities of Aldershot.

9. CONTRIBUTED EQUITY

a) Issued and paid up capital

	31 December 2013 $	**30 June 2013 $**
Ordinary shares		
Issued and fully paid	46,301,490	46,301,490
Less: issue costs	(1,975,571)	(1,975,571)
	44,325,919	44,325,919

b) Movement in ordinary shares on issue 2013

	Number of shares	**$**
At 1 July 2013	348,629,539	44,325,919
Movement	-	-
At 31 December 2013	348,629,539	44,325,919

10. SHARE OPTIONS

	Balance at 1 July 2013	Issued during the period	Exercised during the period	Lapsed during the period	Expired during the period	Balance at 31 December 2013
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	1,715,000	-	-	(200,000)	-	**1,515,000**
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	2,430,000	-	-	(330,000)	-	**2,100,000**
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 4.9 cents, on or before 1 July 2016	-	2,850,000	-	(150,000)	-	**2,700,000**
Unquoted options exercisable at 16 cents, on or before 27 November 2017	6,500,000	-	-	-	-	**6,500,000**
Unquoted options exercisable at 10 cents, on or before 31 October 2018	-	6,500,000	-	-	-	**6,500,000**
Total	66,537,988	9,350,000	-	(680,000)	(37,892,988)	37,315,000

11. SHARE BASED PAYMENTS

a) Recognised share based payment expenses

The expense recognised for services received during the period is shown in the table below:

	Consolidated	
	31 December 2013 $	31 December 2012 $
Expense arising from options issued to Directors, employees and contractors (note 3c)	187,022	318,127

b) Issue of Directors Options

The Company has an Employee Share Option Plan in place which was approved by shareholders on 28 November 2011. During the 6 months ended 31 December 2013, 6,500,000 (2012: 6,500,000) unquoted options exercisable at 10 cents each on or before 31 October 2018 were issued to Directors. Also during this period 2,850,000 unquoted options exercisable at 4.9 cents each on or before 1 July 2016 were issued to employees.

c) Directors, Employee and Vendor Options

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

	Consolidated	
	Number of Options	WAEP cents
Outstanding at beginning of the period	31,795,000	27
Granted during the period	9,350,000	8
Exercised during the period	-	-
Expired / lapsed during the period	(3,830,000)	28
Outstanding at end of the period	37,315,000	22
Exercisable at the end of the period	37,315,000	22

The terms and conditions of the options issued during the period are as follows:

(i) 6,500,000 unquoted options issued to Directors, at an exercise price of 10 cents each and an expiry date of 31 October 2018. The share price of Royal Resources Limited at the grant date 28 November 2013 was 5.3 cents per share. The fair value of the options has been calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	10 cents
Weighted average life of the options (years)	5 years
Share price at grant date (cents)	5.3 cents
Expected share price volatility (%)	93.3%
Risk free interest rate (%)	3.47%
Fair value per option	2.3 cents

(ii) 2,850,000 unquoted options issued to employees, at an exercise price of 4.9 cents each and an expiry date of 1 July 2016. The share price of Royal Resources Limited at the grant date 15 July 2013 was 3.5 cents per share. The fair value of the options has been calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	4.9 cents
Weighted average life of the options (years)	3 years
Share price at grant date (cents)	3.5 cents
Expected share price volatility (%)	95%
Risk free interest rate (%)	2.76%
Fair value per option	1.3 cents

12. 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:

a) 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 3 tenements located in the Northern Territory controlled by Aldershot Resources Ltd. Under the terms and conditions of the joint venture agreement, the Company has earned a 76% interest in the tenements.

On 6 November 2013, the Company entered into an agreement with Aldershot Resources Ltd (Aldershot), (a TSX Venture Exchange listed company) to:

(i) acquire Aldershot's remaining 24% participating interest in the joint venture tenements for $79,440; and
(ii) to terminate the Joint Venture Heads of Agreement.

13. COMMITMENTS

In the opinion of the directors, there are no commitments or contingent liabilities at 31 December 2013 and none were incurred in the interval between the period end and the date of this financial report other than as disclosed in Notes 13 and 14.

a) Mineral tenement expenditure commitments – Australia

The Company has expenditure obligations of approximately $816,863 with respect to tenement lease rentals and the minimum expenditure requirements with respect to mineral tenements and joint venture expenditure requirements.

If the Company 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.

b) Operating Lease Commitments

The Company has a commercial lease on its corporate office premises. This is a non-cancellable lease expiring 31 May 2016 that has not been recognised as liability or payable in the financial statements.

	31 December 2013 $	30 June 2013 $
Within one year	88,619	90,509
After one year but not more than five years	110,337	149,280
	198,956	239,789

c) Bonds

As at 31 December 2013, the Company has outstanding $77,754 (30 June 2013: $77,754) as current bonds provided by the Company's bank for mineral tenements in Australia.

d) Bank guarantee

As at 31 December 2013, the Company has outstanding $20,000 (30 June 2013: $20,000) as a current guarantee provided by the Company's bank for corporate office lease.

14. CONTINGENCIES

Contingent liabilities

As at 31 December 2013, the Company has no outstanding commitments or contingencies, which are not disclosed in Note 13 other than the early resolution tenement payments payable by Royal to complete the acquisition of the Red Dragon Venture tenements, host to the Razorback Premium Iron Project pursuant to Variation Deeds with Mintech Resources Pty Ltd (Mintech) and Goldus Pty Ltd (Goldus) dated 19 December 2013 are as follows:

Mintech Resources Pty Ltd

(i) $1.1 million cash payable by 1 July 2014 at Completion;
(ii) $2.25 million will be issued as convertible notes in Royal by 1 July 2014. The convertible notes have a 48 month term (maturity date) extendable by two periods of 12 months each by Royal on payment of $250,000 cash and are convertible to either shares, cash or a combination of cash and shares, at Royal's discretion;
(iii) Interest of $750,000 is payable on the convertible notes on or before the maturity date in either cash or shares at Royal's discretion;
(iv) A 1.25% royalty on net earnings is payable from product produced from EL4267; and
(v) $550,000 cash on the announcement of a BFS by Royal; and
(vi) A production payment of $2 million cash is payable on the first commercial shipment of iron concentrate from EL4267.

Goldus Pty Ltd

(i) $500,000 cash payable on or before 31 March 2014;
(ii) $1.5 million is payable at Completion;
(iii) A 1.25% royalty on net earnings is payable from product produced from EL5180 and EL5240; and
(iv) A production payment of $3 million cash is payable on the first commercial shipment of iron concentrate from EL5180 and EL5240.

Completion means 10 business days after Royal has undertaken a capital raising to raise at least $4 million, or such lesser amount as agreed by the parties by 1 July 2014.

If the Variation Deeds are terminated for any reason:

a) the amounts paid by Royal to Mintech, as at the termination date, will be credited against the BFS amount at a rate of 3 times the existing payments (as originally defined in the Tenement Sale Agreement); and
b) the amounts paid by Royal to Goldus, as at the termination date, will be credited against the Purchase Price at a rate of 3 times the existing payments (as originally defined in the Option Deed).

With the exception of the $500,000 cash payment to be made on or before 31 March 2014 to Goldus Pty Ltd which has been booked as a liability at 31 December 2013, no other amounts have been booked at 31 December 2013 as they are considered to be contingent liabilities at 31 December 2013.

Prior to signing the Variation Deed on 19 December 2013, the Company had the following contingent liabilities:
(i) $20 million was payable to Mintech at the completion of bankable feasibility study; and
(ii) $10 million was payable to Goldus if the option to purchase EL5180 & EL5240 was exercised

15. SUBSEQUENT EVENTS

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the reporting entity in the future financial periods.

DIRECTOR'S DECLARATION

In the opinion of the directors of Royal Resources Limited ("The Company"):

(1) the financial statements and notes, as set out in pages 4 to 19 are in accordance with the Corporations Act 2001, including:

   a) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
   b) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2013 and of its performance for the half-year ended on that date of the Consolidated entity; and

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

This declaration is made in accordance with a resolution of the Board of Directors.

Marcus Flis
Managing Director

Perth, Western Australia
30 January 2014

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ROYAL RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Royal Resources Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Royal Resources Limited (the consolidated entity). The consolidated entity comprises both Royal Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Royal Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Royal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Royal Resources Limited on 30 January 2014.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Royal Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 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
30 January 2014