

28 October 2016

ASX Code: **RER**

QUARTERLY ACTIVITIES REPORT SEPTEMBER 2016

HIGHLIGHTS

Kalongwe Project

- *Metallurgical test work nearing completion*
- *Aerial LiDAR survey of license area and access road completed*

FTB Project

- *Exploration campaign commenced with exploration team on the ground*
- *Initial work focused on ground truthing and preparation for drilling programmes*

Corporate

- *Increased interest in Kalongwe Mining SA to 70%*
- *Received a further investment from Tembo Capital Group of US\$5.3 million*
- *Extinguished all convertible loans*
- *Reached settlement agreement with former joint venture partner Afrimines*
- *Completed a rights issue for A\$9.25 million*
- *Mark Arnesen appointed CEO & Executive Director whilst David Young resigned as Non-Executive Director*

Legal Proceedings

- *Progressed in defending EGM and Wiltshire matters*
- *Received a Statement of General Procedure Claim from Dixon*
- *Regal is vigorously defending all proceedings*

The Directors of Regal Resources Limited (**ASX: RER**) ("Regal" or "the Company") are pleased to present their Quarterly Activities Report for the period ended 30 September 2016.

Kalongwe Mining SA JV Project (Katanga Province, DRC)

Overview

The Kalongwe Copper-Cobalt deposit ("Kalongwe" project) is the Company's 70% owned flagship project. It is located in the Lualaba Province of the DRC and is situated towards the western end of the world-class Central African Copperbelt (Figure 1), less than 15 kilometres from where Ivanhoe Mines Ltd (TSX:IVN, "Ivanhoe") recently announced a second world class copper discovery at Kakula (Figure 1; see announcement from Ivanhoe Mines Ltd TSX:IVN on 11 August 2016). Kalongwe hosts a near-surface JORC resource of 302,000t contained copper and 42,000t contained cobalt as predominantly oxide ore (see Appendix 1 and ASX announcement on 5 February 2015 for further details).

Update

Exploration work commenced over Kalongwe and the surrounding FTB project areas following completion of the recent equity raisings. The primary objective for the remaining dry season is to complete ground validation on first order exploration targets in the FTB area, and weather permitting, advance to the stage of drill testing. Concurrently, the Company will fast-track work on the Kalongwe Definitive Feasibility Study (“DFS”).

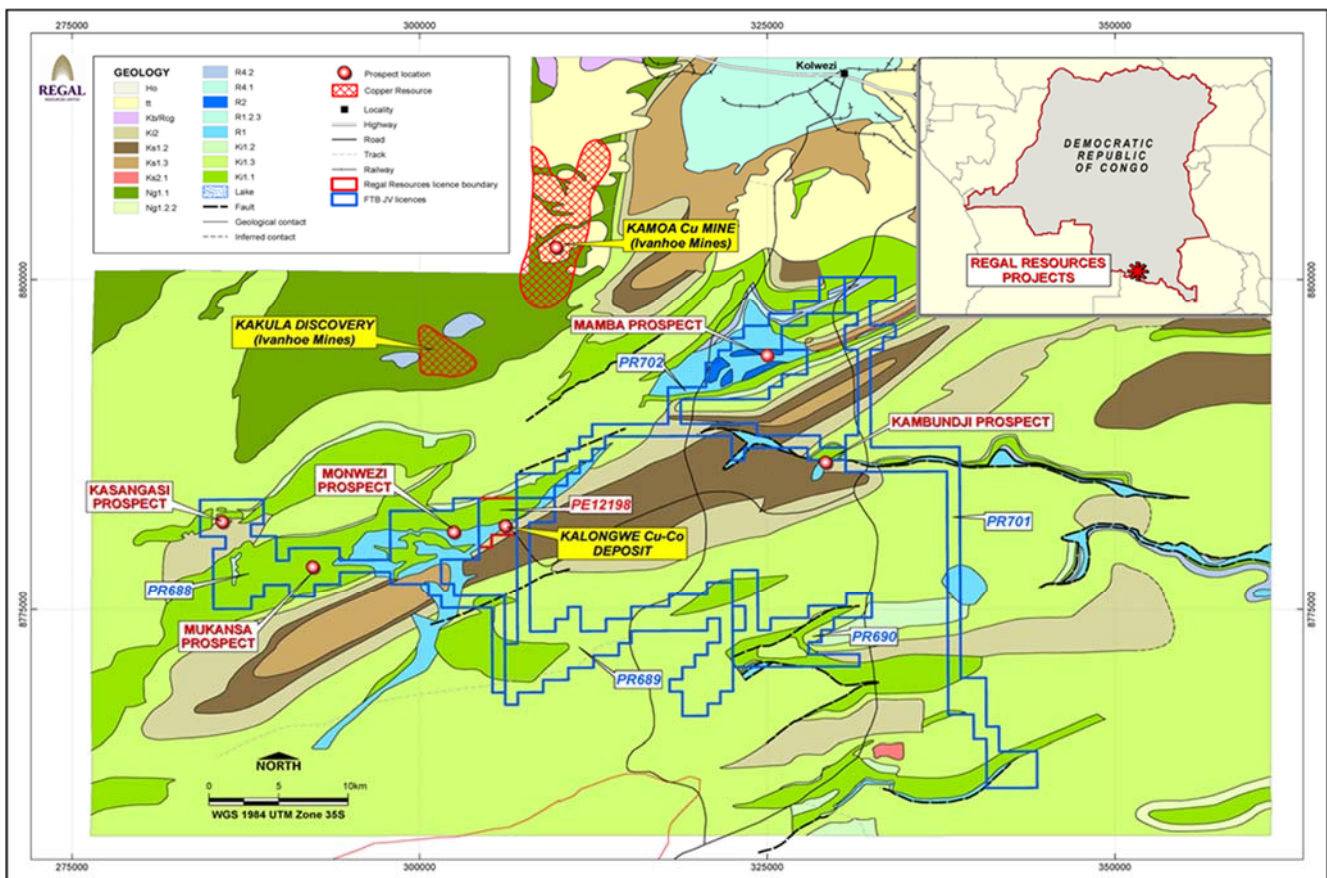


Figure 1: Location map of Kalongwe Project and significant copper deposits and regional towns.

To achieve its objectives, the Company appointed The MSA Group (“MSA”), a leading provider of mining and mineral exploration services on the African Continent, to assist with its exploration activities. The technical work will be conducted under the guidance of the Company’s director Simon Dorling who is engaged as a technical consultant under a consulting agreement with CSA Global Pty Ltd (“CSA”). CSA has been providing services through its team of exploration and mining professional to its clients operating in Africa and particularly in the Central African Copperbelt for over 15 years.

The Company has invited tenders for technical studies towards the completion of a DFS. Metallurgical test work is in progress and is being conducted by Miller Mining Services based in Brisbane. The Company has recently completed an airborne Light Detection and Ranging (“LiDAR”) surveying across PE12198 and

proposed surrounding infrastructure. The LiDAR survey provides high precision terrain elevation data that will enable mine layout, waste dump and tailings facility design. The gazetted access road to Kalongwe has also been surveyed for accurate costing and planning of road upgrades and construction. This data will allow DFS tasks to be completed during the wet season. The Company is also in the process of appointing engineering firms for geotechnical and hydrogeological studies.

Fold and Thrust Belt JV Project (Katanga Province, DRC)

Overview

The Company signed an MOU with Ivanhoe Mines Ltd (TSX:IVN, "Ivanhoe") to acquire up to a 98% interest in a package of five highly prospective tenements, covering an area of approximately 350 km², contiguous to Kalongwe in the Central African Copperbelt, Katanga Province, DRC (see ASX announcement on 22 April 2015 for further details). The Fold and Thrust Belt Joint Venture ("FTB" project), which is managed by Regal, covers an area of the western Lufilian Arc, a fold belt that contains the world largest cobalt endowment and some of the richest copper deposits in the world. The project area is considered to offer high-quality exploration targets as exploration over most of the ground is at a greenfield stage.

Update

The Company reviewed the exploration work and data provided by Ivanhoe and has so far identified five high priority targets that warrant immediate follow up work (Figure 2). Regal has selected three of the identified target areas for immediate exploration work. The exploration team is currently conducting reconnaissance work over the Monwezi, Kambundji and Kakete prospects (Figure 2) and its geologists are re-logging all diamond drill holes to enable better targeting.

Further details on the selected areas include (see ASX announcement on 24 April 2015 for further details):

- Monwezi West Prospects: (immediately southwest of Kalongwe), previous diamond drilling as part of Kalongwe exploration drilling, good auger and trench results; includes 3 separate prospects, Monwezi 2, 3, 7; significant geochemical anomalies; Multiple fragments of Mines Series.
- Kambundji East Prospect: located NE of Kalongwe property; Mines Series fragments in diapir structure; artisanal pits; high rock chip results (4.8% Cu);
- Mukansa Prospect: (artisanal pit), diapir structure with multiple R2 fragments, > 10 Mines Series fragments, 6% Co in rock chip sample; pitting, sampling, mapping.
- Kakete Prospect: 2 km north-south trending geochemical anomaly based on assays from soil, rock chip and pitting by Ivanhoe. The target coincides with a north-south trending lineaments based on magnetic interpretation

Dr Dorling, in conjunction with MSA and the company's geologists are currently assessing designed drilling targets at the Monwezi and Kambundji Prospects. This review will determine the quantity and type of drilling required. Further reconnaissance mapping and rock chip sampling will be extended at the

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Mukansa and Kakete Prospects. It is expected that this work will be followed up by trenching and shallow auger drilling.

Regal expects to announce in due course its selection of exploration drill targets. The Company looks forward to providing the market with a flow of exploration updates from an area it believes has significant exploration upside.

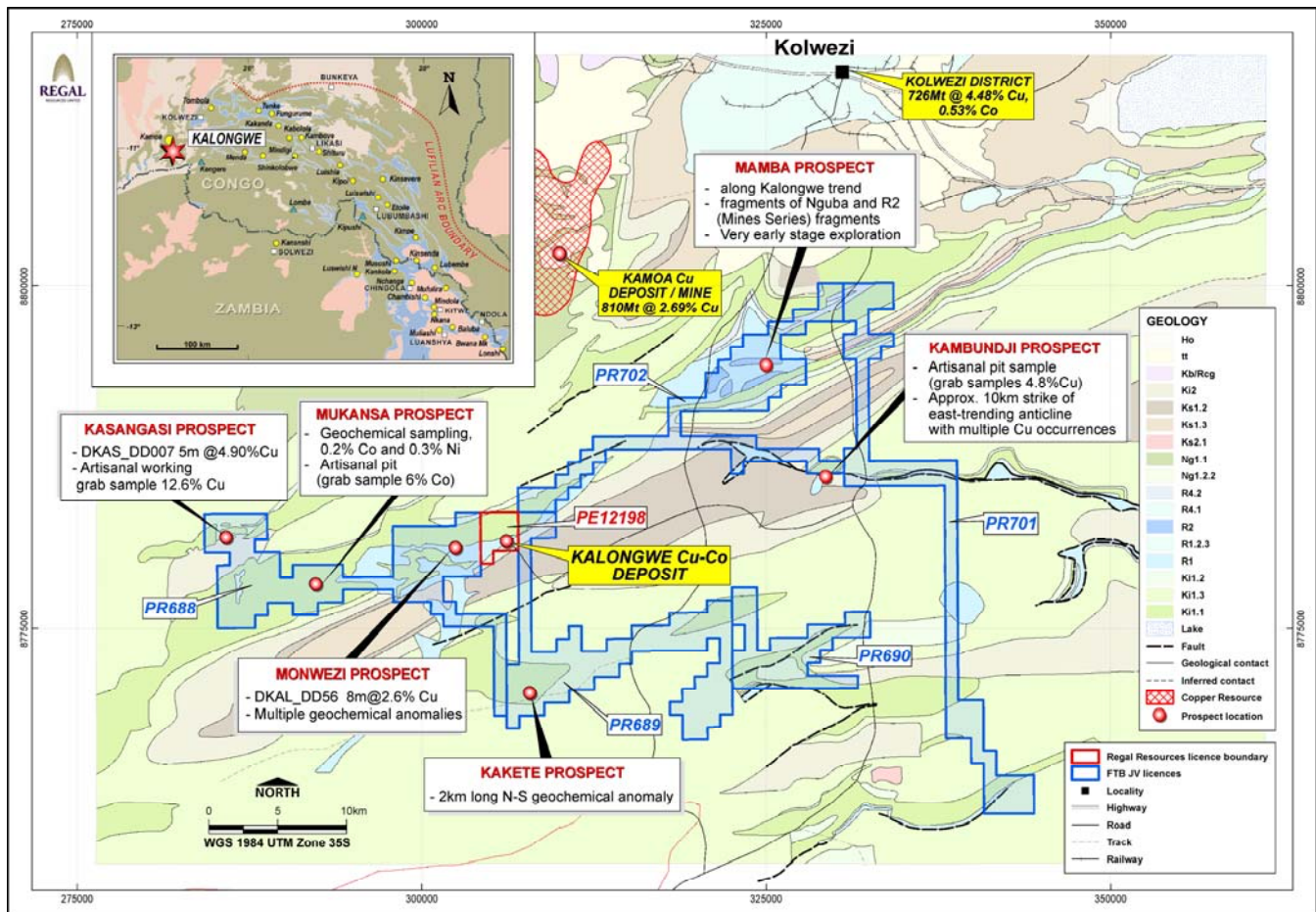


Figure 2: Location map of delineated exploration target within the FTB project area and exploration highlights.

Corporate

As announced in the prior quarterly activities report, the Company completed negotiations with various parties including Traxys Projects L.P. ("Traxys") and La Generale Industrielle et Commerciale au Congo ("GICC") in relation to increasing its interest in Kalongwe Mining SA ("KMSA"), and Tembo Capital Group ("Tembo") in relation to further investment. On 7 July 2016, the Company announced completion of the transactions and as of that date, Regal obtained control of Kalongwe with a 70% holding, the debt under the convertible loan was extinguished, and the Company was released from any claims in relation to its former joint venture with Afrimines.

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A summary of the agreements executed in the prior quarter and completing this quarter are as follows:

- Agreements with each of Traxys and GICC pursuant to which the Company acquired Traxys' interest and part of GICC's interest in KMSA;
- An agreement with Ndovu Capital VI BV ("Ndovu"), an affiliate of Tembo, to provide the funding necessary for Regal to pay the consideration payable to Traxys and GICC, by way of a placement of approximately US\$5.3 million worth of Regal shares;
- An agreement with Ndovu and Exploration Capital Partners 2005 Limited Partnership ("ECP"), an affiliate of Sprott Inc., for the automatic conversion of all convertible loans (approximately A\$3.6 million) upon completion of the transactions;
- An agreement with Ndovu to underwrite a rights issue of approximately US\$7 million, subject to the above transactions completing; and
- A settlement agreement with former joint venture partner Afrimines Resources SPRL ("Afrimines") and the joint venture vehicle, Regal SK SPRL for US\$1.2 million worth of shares in Regal and a US\$1.2 million cash payment.

On 9 August 2016, the Company had accepted applications from its shareholders subscribing for 681,284,328 shares pursuant to their entitlement and additional shares under a one for two fully underwritten non-renounceable rights issue. This resulted in the Company raising approximately \$6.81 million. Additionally, a shortfall of 244,051,820 shares for a further approximately \$2.44 million was also raised.

On 22 September 2016, the Australian Government Takeovers Panel ("Panel") received an application concerning Regal's recently completed entitlement offer and the shortfall shares that were issued to Ndovu. Subsequently, Ndovu provided an undertaking to the Panel not to dispose of, transfer, charge or otherwise deal with the shortfall shares issued to it.

On 12 August 2016, Mark Arnesen was appointed Chief Executive Officer and Executive Director. Mr Arnesen has been working with the Company since early 2016 and has been instrumental in providing assistance with the negotiation and conclusion of the Transactions outlined in the ASX announcement on 20 April 2016. During the quarter, David Young resigned for personal reasons.

At the end of the quarter, Regal had cash reserves of circa \$7.5 million (unaudited) with ordinary shares on issue of ~2.86 billion (unaudited).

Legal Proceedings

The Company has progressed in defending the Statement of Claim and Writ of Summons lodged by Eucalyptus Gold Mines Pty Ltd (EGM) filed in the Supreme Court of Western Australia. A mediation conference has been set for November 16. EGM, without providing any factual evidence or support, has recently advised that its claim for loss and damages is the alternative of the following amounts:

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- The sum of \$3 million (plus interest from the date of loss of the tenement) being the value of the tenement as at the time of its forfeiture; or
- \$500,000 being the maximum royalty EGM had an entitlement to (plus interest from the date of loss of the tenement).

The Company has progressed in defending the Statement of General Procedure Third Party Claim lodged by Peter Andrew Wiltshire (Wiltshire) in the Magistrates Court of Western Australia. A listing conference is expected later in 2016.

The Company also advises that it has been served with a Statement of General Procedure Claim by Trevor John Dixon (Dixon) in the Magistrates Court of Western Australia. Dixon's claim is for damages for breach of contract in relation to expenditure requirements on a number of tenements (Prospecting Licences 39/4622-23 and 39/4636 and Mining Licences 39/914, 39/966, 39/969, 39/991 and 39/1064). The maximum claim in the Magistrates Court is \$75,000 (excluding interest). The Company has not previously reported the claim due to the low level of materiality assessed by the Board. A pre-trial conference is expected later in 2016.

All claims relate to projects that were the initial focus of Regal circa the IPO in 2005. **Regal is vigorously defending all proceedings.**

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Competent Persons Statement

Scientific or technical information in this release that relates to Exploration Results has been prepared by Dr Simon Dorling, the Company's Technical Director. Dr Simon Dorling is a member of the Australasian Institute of Geoscientists (MAIG) and has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Dr Simon Dorling consents to the inclusion in this report of the Information, in the form and context in which it appears.

The information in this document relating to the Kalongwe Cu-Co Deposit resource estimate is extracted from the Company's ASX announcement entitled 'Upgraded JORC Resource at Kalongwe 302,000t Copper and 42,700t Cobalt' dated 5 February 2015 and is available to view on www.regalresources.com.au. The

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Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward-looking Statements

This release contains statements that are "forward-looking". Generally, the words "expect," "intend," "estimate," "will" and similar expressions identify forward-looking statements. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, or that of our industry, to differ materially from those expressed or implied in any of our forward-looking statements. Statements in this release regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made.

APPENDIX 1 – KALONGWE CU-CO PROJECT MINERAL RESOURCE ESTIMATE

As per ASX Announcement 5 February 2015:

Weathering profile	Domain	Measured	Indicated	Inferred	Total Tonnage (Mt)	Ave. Cu (%)	Ave. Co (%)	Tonnes Cu	Tonnes Co
Oxide	Cu Only ¹	1.24Mt@ 3.35% Cu	2.45Mt @ 2.27% Cu	1.24Mt @ 1.60% Cu	4.94	2.37	-	117,200	-
	Mixed ³	2.07Mt @ 3.76% Cu	1.67 Mt @ 2.72% Cu	0.35Mt @ 1.98% Cu	4.08	3.19	0.66	130,000	26,800
Primary	Cu Only ¹	-	1.20 Mt@ 2.65% Cu	0.41Mt@ 1.63% Cu	1.61	2.39	-	38,400	-
	Mixed ³	-	0.51 Mt@ 3.06% Cu	0.03Mt@ 2.22% Cu	0.54	3.02	0.52	16,400	2,800
	Total Cu Domains	3.31Mt @ 3.61 % Cu	5.83 Mt @ 2.55 % Cu	2.03Mt @ 1.70% Cu	11.17	2.70	*0.27	302,000	29,700
Oxide	Co Only ²	0.37Mt @ 0.66% Co	1.34Mt @ 0.59% Co	0.38Mt @ 0.43% Co	2.09	-	0.57	-	11,900
Primary	Co Only ²	-	0.18Mt @ 0.53% Co	0.02Mt @ 0.43% Co	0.2	-	0.52	-	1,000
	Total Co Domains	1.24Mt @ 3.35% Cu	2.45 Mt @ 2.27% Cu	1.24Mt @ 1.60% Cu	2.29	-	0.57	-	13,000

Notes:

1. The Cu only domains were reported by selecting blocks with Cu >= 0.5%.
2. The Co only domains were reported by selecting blocks with Co >= 0.2%.
3. The Mixed Domains (blocks located within overlapping Cu and Co domains) were reported by selecting blocks with Cu >= 0.5%. The Co grade from these blocks was also reported.
4. *It is assumed for the purposes of this Mineral Resource that Cu grades in the Co only domains, and Co grades in the Cu only domains are 0%, although low grade mineralisation was recorded in sample assays. Therefore the reported Cu% and Co% grades are diluted, where they are reported in the other domains.

APPENDIX 2 – INTERESTS IN TENEMENTS

Project/ tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
Kalongwe Project: PE12198	Democratic Republic of Congo	70%*	40%	-

* As per the ASX announcement on 7 July 2016, as of 7 July 2016, Regal's holding in Kalongwe Project: PE12198 increased to 70%.