

29 April 2016

ASX Code: **RER**

## QUARTERLY ACTIVITIES REPORT MARCH 2016

### HIGHLIGHTS

#### Corporate

- Continued negotiations with Traxys and Tembo in relation to increasing Regal's stake in the Kalongwe Project and to finance the Company, which were completed subsequent to the quarter end.
- Board and management changes undertaken.

#### Kalongwe High-Grade Cu/Co Project

- Joint venture shareholders meeting held with key agreements executed.
- Progression of the share transfer to the DRC Government.

#### Regal-Ivanhoe Joint Venture

- Extension to earn-in dates agreed.

The Directors of Regal Resources Limited (**ASX: RER**) ("Regal" or "the Company") are pleased to present their Quarterly Activities Report for the period ended 31 March 2016.

### Corporate

The main focus during the quarter was on completing negotiations with various parties including Traxys Projects L.P. ("Traxys") over the acquisition of 100% of its interest in Kalongwe Mining SA ("KMSA") and Tembo Capital Group ("Tembo") in relation to further investment. Subsequent to the quarter end, **key critical milestones were achieved**, with Regal executing the following agreements (see ASX announcement on 20 April 2016 for further details):

- An agreement has been reached with both Traxys and La Generale Industrielle et Commerciale au Congo ("GICC") which will enable the Company to acquire Traxys' interest and part of GICC's interest in KMSA. Post completion, Regal will be the majority owner of KMSA holding 70% with GICC 25% and the DRC Government 5%. This is a significant milestone and will enable Regal to move the Kalongwe copper/cobalt project towards development;

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- The proposed acquisitions will be funded through a placement of approximately US\$5.3 million to Ndovu Capital VI BV ("Ndovu"), an affiliate of Tembo, and the issue of approximately US\$2.8 million worth of Regal shares;
- Additional bridge funding of A\$1.1 million has been secured, and now received, to fund Regal through to completion of the acquisition;
- The existing convertible loan and bridge funding with Ndovu and Exploration Capital Partners 2005 Limited Partnership ("ECP"), an affiliate of Sprott Inc., will be automatically converted to shares at completion of the proposed acquisitions outlined above;
- A proposed rights issue of approximately US\$7 million will be undertaken at an issue price of A\$0.01 per share and will be underwritten by Ndovu subject to completion of the proposed acquisitions occurring; and
- A settlement has been reached with former joint venture partner Afrimines Resources SPRL 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.

The transactions summarised above are subject to a number of conditions precedent and conditions which are outlined in the ASX announcement on 20 April 2016. The proposed issue of securities pursuant to the transactions with Traxys, GICC, Ndovu, ECP and Afrimines, will be included in a notice of meeting seeking the necessary shareholder approvals in due course.

During the quarter, a number of board and management changes were undertaken. Mr David Young stepped down from his position as Chief Executive Officer for reasons of health and has agreed to stay on as a non-executive director. Mr Mark Savich resigned as a Non-Executive Director and Chairman to allow him to fully focus on other on-going responsibilities. Mr John Hodder was appointed as a Non-Executive Director and with the Company now having completed the relocation of the corporate office from Melbourne to Perth, Mr Patrick Holywell replaced Mr Ian Pamensky as sole Company Secretary.

At the end of the quarter, Regal had cash reserves of ~\$0.6 million (unaudited) with ordinary shares on issue of ~220 million (unaudited). Subsequent to the quarter end, Regal received bridge funding of \$1.1 million to enable the Company to manage its working capital requirements until all proposed transactions have been approved and completed (as per the ASX announcement on 20 April 2016).

## **Kalongwe High-Grade Cu/Co Project (Katanga Province, DRC)**

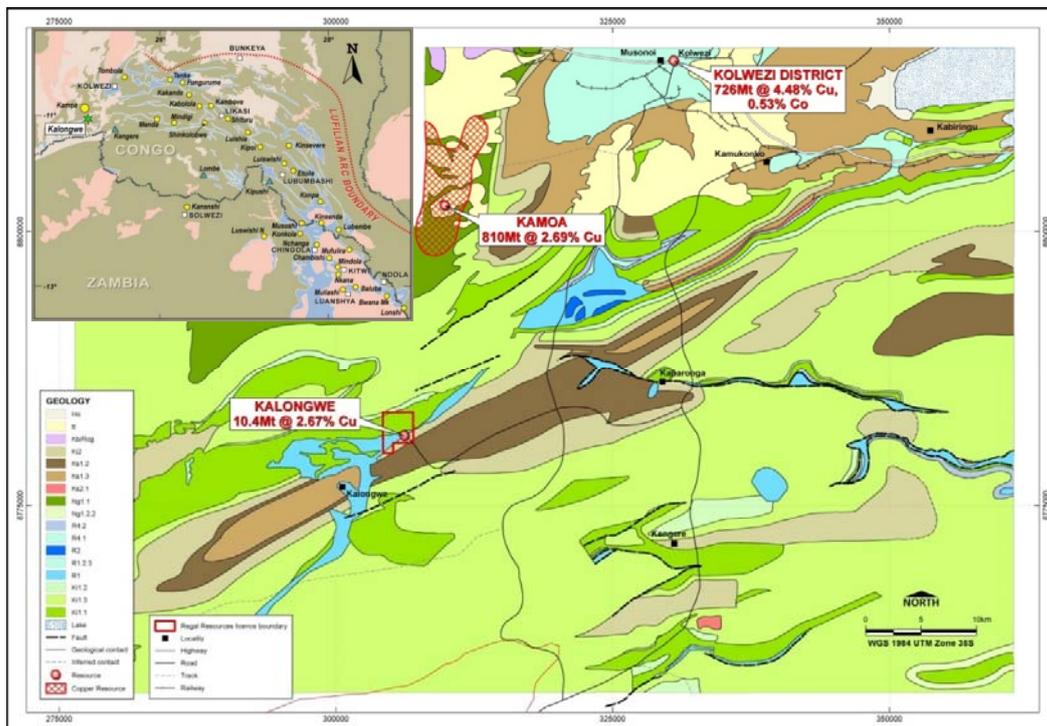
### **Overview**

The Kalongwe deposit is the Company's flagship Project. It is located in the Katanga Province of the DRC and is situated towards the western end of the world-class Central African Copperbelt (Figure 1).

It hosts a near-surface oxide JORC resource of 302,000t contained copper and 42,000t contained cobalt (See Appendix 1 and ASX: RER, 5 February 2015 for further details).

A Scoping Study (or "the Study") has been completed to evaluate the viability of developing a stand-alone mining operation at Kalongwe utilising an HMS plant to produce a high-grade copper/cobalt concentrate. The Study was based on the Measured and Indicated categories of the JORC resource.

The results of the Study have highlighted the potential to fast-track the development of an open-pit mining operation at Kalongwe. The Kalongwe permit is covered by a mining licence that was granted last year and is valid for an initial period of thirty years.



**Figure 1: Map of the western Congolese part of the African Copperbelt (CACB) and the location of the Kalongwe Project relative to principal Cu-Co deposits in the region. Inset shows location of Kalongwe in the context of the CACB.**

## Update

During the quarter, Regal and its joint venture partners Traxys and GICC entered into a formal Shareholders' Agreement to govern the joint venture conducted through KMSA. Further, KMSA entered into a Marketing Agreement with Traxys for any copper, cobalt, gold, ores, concentrates, metals or solutions originating or produced from the permit held by KMSA.

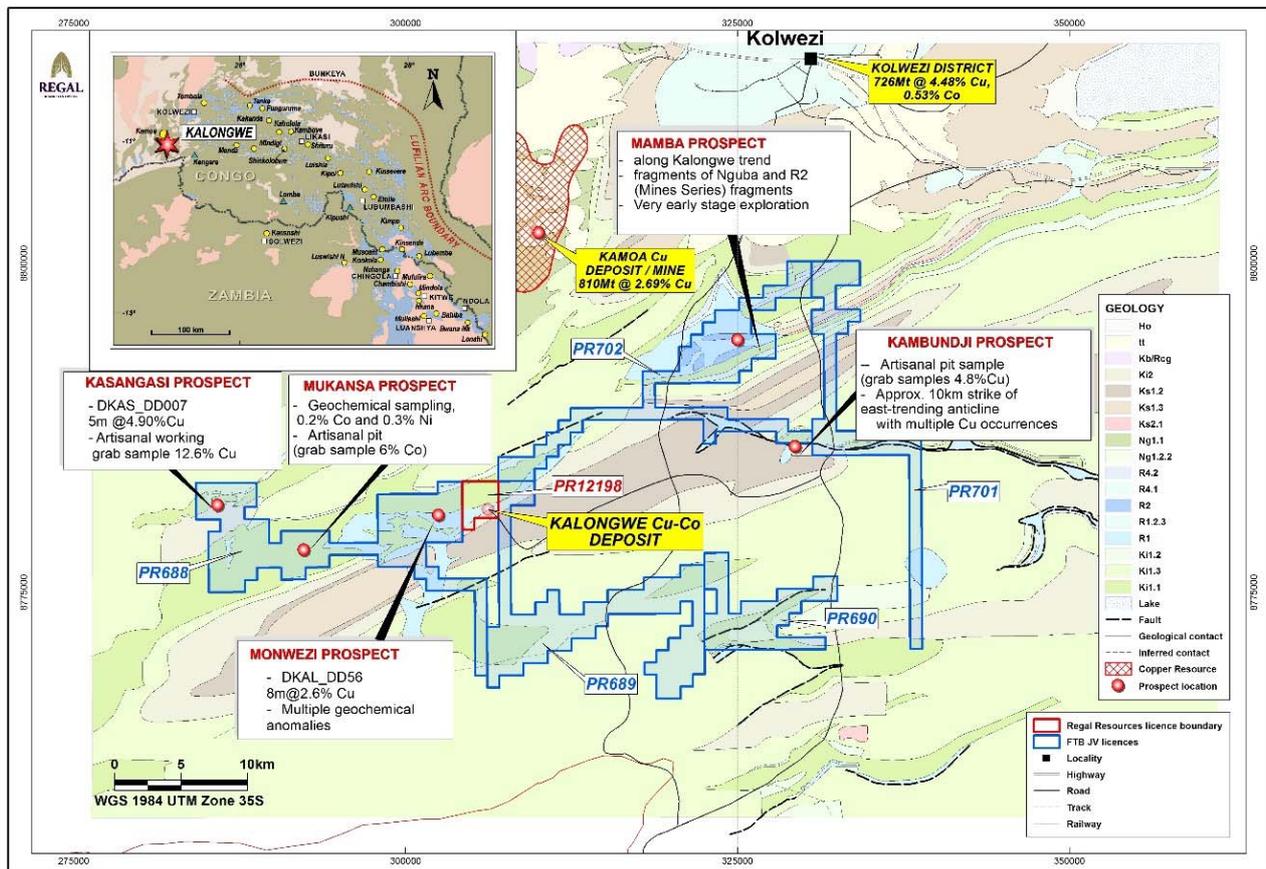
In accordance with the DRC Mining Code, the joint venture partners are in the course of completing the transfer of the 5% of the share capital of KMSA to the DRC Government.

## Regal-Ivanhoe Joint Venture (Katanga Province, DRC)

### Overview

The Company has entered into a JV agreement 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 sq. km., located adjacent to the Kalongwe Project in the Central African Copperbelt, Katanga Province, DRC, (Figure 2), (ASX: RER, 22 April 2015).

The JV area contains regional scale anticlinal folds, faults and thrust structures. These are considered to offer high-quality exploration targets as they can present windows onto the mineralised rocks of the Lower Roan Mine Series (Figure 2).



**Figure 2: Location map of the FTBJV licences, significant copper deposits and regional towns and delineated exploration targets within the FTBJV area.**

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## Update

During the quarter, Regal and Ivanhoe agreed to amend the memorandum of understanding so that the US\$150,000 Subsequent Signing Fee be moved to 1 July 2016 (previously April 2016) and the First Earn-In be moved to three years after the payment of the Subsequent Signing Fee (previously April 2018). All other terms remain the same as per the ASX announcement on 22 April 2015. The extension to earn-in dates allows Regal to remain focussed on the corporation transactions discussed above.

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### For further information, please contact:

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*CFO/Company Secretary*

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## Competent Persons Statements

Scientific or technical information in this release that relates to Exploration Results has been prepared by Mr David Young and Dr Simon Dorling, the Company's Managing and Technical Directors. Mr David Young is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and Dr Simon Dorling is a member of the Australasian Institute of Geoscientists (MAIG) and both have sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which they are 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). Mr David Young and Dr Simon Dorling consent to the inclusion in this report of the information, in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr David Williams, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. David Williams is employed by CSA Global Pty Ltd, an independent consulting company. Mr Williams 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". David Williams consents to the inclusion in the report of the matters based on his 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](http://www.regalresources.com.au). The 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, in the case of Mineral Resources or Ore Reserves, all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Assumptions on the metallurgical test work program and interpretation as related to the broader Scoping Study are provided by Mr Graeme Miller. Mr Miller is a Director of Miller Metallurgical Services Pty Ltd, (Brisbane, Australia), and is a Fellow of the AusIMM CP. Mr Miller has sufficient relevant experience to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". Mr Miller has consented to the inclusion of this information in the document in the form and context in which it appears.

Under the JORC Code (2012), Clause 9, consent has been sought and obtained, where applicable, from the Competent Persons listed above for any initial public release of information related to this report.

## 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
<b>Oxide</b>	Cu Only <sup>1</sup>	1.24Mt@ 3.35% Cu	2.45Mt @ 2.27% Cu	1.24Mt @ 1.60% Cu	4.94	2.37	-	117,200	-
	Mixed <sup>3</sup>	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
<b>Primary</b>	Cu Only <sup>1</sup>	-	1.20 Mt@ 2.65% Cu	0.41Mt@ 1.63% Cu	1.61	2.39	-	38,400	-
	Mixed <sup>3</sup>	-	0.51 Mt@ 3.06% Cu	0.03Mt@ 2.22% Cu	0.54	3.02	0.52	16,400	2,800
	<b>Total Cu Domains</b>	<b>3.31Mt @ 3.61 % Cu</b>	<b>5.83 Mt @ 2.55 % Cu</b>	<b>2.03Mt @ 1.70% Cu</b>	<b>11.17</b>	<b>2.70</b>	<b>*0.27</b>	<b>302,000</b>	<b>29,700</b>
<b>Oxide</b>	Co Only <sup>2</sup>	0.37Mt @ 0.66% Co	1.34Mt @ 0.59% Co	0.38Mt @ 0.43% Co	2.09	-	0.57	-	11,900
<b>Primary</b>	Co Only <sup>2</sup>	-	0.18Mt @ 0.53% Co	0.02Mt @ 0.43% Co	0.2	-	0.52	-	1,000
	<b>Total Co Domains</b>	<b>1.24Mt @ 3.35% Cu</b>	<b>2.45 Mt @ 2.27% Cu</b>	<b>1.24Mt @ 1.60% Cu</b>	<b>2.29</b>	<b>-</b>	<b>0.57</b>	<b>-</b>	<b>13,000</b>

**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

<b>Project/ tenements</b>	<b>Location</b>	<b>Held at end of quarter</b>	<b>Acquired during the quarter</b>	<b>Disposed during the quarter</b>
Kalongwe Project: PR12198	Democratic Republic of Congo	30%*	-	-

\*As per the ASX announcement on 26 February 2016 and in accordance with the DRC Mining Code, the shareholders are in the course of completing the transfer of 5% of the share capital of Kalongwe Mining SA to the DRC Government which will result in the respective shareholdings in Kalongwe Mining SA being Regal 28.5%; Traxys 28.5%; GICC 38%; and the DRC Government 5%.