

Dear Shareholders,

April 3, 2020

As some of you may have seen, Regal Resources and its management has come under attack recently by a disgruntled shareholder. Matt Sauder, a non-paid consultant to the company and proposed director candidate has already outlined the situation faced by the company and how it intends to address its challenges. A copy of Matt's letter is available on Regal's website.

In addition to Matt's letter, I feel it is important to specifically respond to several inaccuracies and potentially defamatory comments that have been conveyed in the disgruntled shareholder letter.

- **Value creation in respect of the Sunnyside Project** - Sunnyside was purchased for roughly US\$1.5 million and Regal has received independent valuation estimates for the project that reinforce its view on the substantial value that has been created. In addition, it should be mentioned that the principal asset of Arizona Mining, prior to its \$2 billion dollar take-over, was its Hermosa project, which is directly adjacent to Sunnyside.

In terms of specific value enhancements, Regal has published both a thorough National Instrument 43-101 technical report and an extensive and positive underground sampling program report. We were also able to secure a drill permit from the US forest service, which unfortunately was later rescinded after challenge by an activist environmental group.

Management successfully negotiated a joint venture option deal with Barksdale Capital, whereby Barksdale could earn up to 67.5% in Sunnyside by incurring work expenditures (which must include a min 25,000ft of drilling) and cash payments of \$15 million and issuing a total of 15 million shares representing just under 29% of Barksdale's common shares. There are also protections should Barksdale be sold or transfer the JV option. This was a strong deal for Regal according to various independent industry individuals and Regal has retained upside should the Project's value increase.

- **Compensation and commitment of Regal management** - My entire remuneration over the past 10.5 years has averaged approximately \$160,000/year, while that of Mr. Louie averaged approximately \$40,000/year. Much of my ultimate compensation would have come through the 2.6 million stock options which have since expired and cannot be reissued due to the cease trade order. What this compensation doesn't factor in, however, is management's commitment to the company through loans. Specifically and as highlighted by Matt's letter, my family has mortgaged our family home and recreational property to loan the company well in excess of \$1.3 million (which enabled the company to complete the Sunnyside purchase) and made aggregate share purchases of some \$650,000 over the years.

Other management personnel and their families have also contributed heavily to the company through below market compensation (or no compensation at all), sourcing financing capital, and personally advancing loans and equity purchases.

- **Dealings with the disgruntled shareholder** – We have repeatedly tried to engage with the noted disgruntled shareholder but have been rebuffed. We therefore question the sincerity of his motives. In addition, we question how he was able to communicate with

our shareholders, given we have only had one request for our shareholder list in the last two years and that request was not from this shareholder. Therefore, it is reasonable to question the motives of the disgruntled shareholder and whether his interests are aligned with those of our other equity holders.

We have worked continuously with legal advisors and our auditors to produce financial information for our shareholders and, but for COVID 19, we would be hosting our AGM in the very near future and plan on doing so as soon as is reasonably practicable.

Going forward, I will not be seeking re-election at the next AGM and expect to cease in my executive duties once a replacement is identified. The stress of running Regal has caused too great a toll on me and my family. That said, I fully support Matt Sauder and, assuming he and the proposed directors are elected, I will provide them any insight or assistance that they request.

As described in Matt's letter and in the period until Regal is able to conduct its AGM, we ask that shareholders do not take the approach of the disgruntled shareholder in not engaging with us and potentially advancing an agenda with ulterior motives, but rather we request they reach out to discuss their concerns. **Matt is standing by and ready to engage with shareholders, hear their concerns and describe a proposed path forward.**

While I am also available to have such discussions, Matt is likely the best resource given my expected reduced involvement with Regal.

Sincerely,

Gregory Thomas
President Regal Resources Inc.