

# **Royalco Resources Limited**

**ABN 53 096 321 532**

## **Half-year Financial Report - 31 December 2018**

**Royalco Resources Limited**  
**Corporate directory**  
**31 December 2018**

Directors	Ms Susan Thomas (Non-Executive Chair) Mr Malcolm McComas (Non-Executive Director) Mr David Croll (Non-Executive Director)
Company secretary	Mr Justin Clyne
Registered office	Suite 6.02, Level 6 28 O'Connell Street Sydney NSW 2000
Principal place of business	Suite 6.02, Level 6 28 O'Connell Street Sydney NSW 2000
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia 6153
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Bankers	National Australia Bank 255 George Street, Sydney NSW 2000 Commonwealth Bank of Australia 367 Collins Street, Melbourne Victoria 3000
Stock exchange listing	Royalco Resources Limited shares are listed on the Australian Securities Exchange (ASX code: RCO)
Website	<a href="http://www.royalco.com.au">www.royalco.com.au</a>

**Royalco Resources Limited**  
**Directors' report**  
**31 December 2018**

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2018.

**Directors**

The following persons were directors of the company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ms Susan Thomas (Non-Executive Chair)  
Mr Malcolm McComas (Non-Executive Director)  
Mr Geoff Barker (Non-Executive Director - resigned 30 September 2018)  
Mr David Croll (Non-Executive Director - appointed 3 September 2018)

**Principal activities**

During the financial half-year the principal continuing activity of the company was management of resource based royalties.

**Review of operations**

The loss for the company after providing for income tax amounted to \$85,124 (31 December 2017: \$227,650).

**Significant changes in the state of affairs**

The consolidated entity continues with the disposal process of the Weeks Royalty and provides periodic updates in respect of the sales process in its announcements to the Australian Securities Exchange.

There were no other significant changes in the state of affairs of the company during the financial half-year.

**Matters subsequent to the end of the financial half-year**

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Susan Thomas  
Non-Executive Chair

8 March 2019  
Sydney

8 March 2019

The Board of Directors  
Royalco Resources Ltd  
GPO Box 4626  
Sydney NSW 2001

Dear Board Members

**Royalco 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 Royalco Resources Limited.

As lead audit partner for the review of the financial statements of Royalco Resources Limited for the half-year ended 31 December 2018, 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 sincerely



DELOITTE TOUCHE TOHMATSU



Cheryl Kennedy  
Partner  
Chartered Accountants

## **Royalco Resources Limited**

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**31 December 2018**

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### **General information**

The financial statements cover Royalco Resources Limited (Royalco) as an individual entity. The financial statements are presented in Australian dollars, which is Royalco's functional and presentation currency.

Royalco is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.02, Level 6  
28 O'Connell Street  
Sydney NSW 2000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 7 March 2019. The directors have the power to amend and reissue the financial statements.

**Royalco Resources Limited**  
**Condensed statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**

	Note	December 2018 \$	December 2017 \$
Royalty income		404,037	397,515
Interest revenue calculated using the effective interest method		19,514	25,986
Other income		19,100	13,100
<b>Expenses</b>			
Administration expenses		(293,961)	(384,471)
Employee benefits expense		-	(50,525)
Amortisation of royalty rights		(212,500)	(212,500)
Other expenses		(21,314)	(16,755)
<b>Loss before income tax expense</b>		(85,124)	(227,650)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Royalco Resources Limited</b>		(85,124)	(227,650)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of Royalco Resources Limited</b>		<u>(85,124)</u>	<u>(227,650)</u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	6	(0.16)	(0.43)
Diluted loss per share	6	(0.16)	(0.43)

*The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Royalco Resources Limited**  
**Condensed statement of financial position**  
**As at 31 December 2018**

	Note	December 2018 \$	June 2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,348,316	2,164,198
Trade and other receivables		195,834	254,710
Other		29,535	32,675
Total current assets		<u>2,573,685</u>	<u>2,451,583</u>
<b>Non-current assets</b>			
Intangibles	3	6,091,667	6,304,167
Other		5,417	5,417
Total non-current assets		<u>6,097,084</u>	<u>6,309,584</u>
<b>Total assets</b>		<u>8,670,769</u>	<u>8,761,167</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		51,013	33,459
Provisions		35,175	46,343
Total current liabilities		<u>86,188</u>	<u>79,802</u>
<b>Non-current liabilities</b>			
Security deposit		8,250	8,250
Provisions		-	11,660
Total non-current liabilities		<u>8,250</u>	<u>19,910</u>
<b>Total liabilities</b>		<u>94,438</u>	<u>99,712</u>
<b>Net assets</b>		<u>8,576,331</u>	<u>8,661,455</u>
<b>Equity</b>			
Issued capital		12,321,611	12,321,611
Accumulated losses		<u>(3,745,280)</u>	<u>(3,660,156)</u>
<b>Total equity</b>		<u>8,576,331</u>	<u>8,661,455</u>

*The above condensed statement of financial position should be read in conjunction with the accompanying notes*

**Royalco Resources Limited**  
**Condensed statement of changes in equity**  
**For the half-year ended 31 December 2018**

	<b>Contributed equity \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	12,321,611	(3,238,484)	9,083,127
Loss after income tax expense for the half-year	-	(227,650)	(227,650)
Other comprehensive income for the half-year, net of tax	-	-	-
	<u>-</u>	<u>(227,650)</u>	<u>(227,650)</u>
Total comprehensive loss for the half-year			
	<u>-</u>	<u>(227,650)</u>	<u>(227,650)</u>
Balance at 31 December 2017	<u>12,321,611</u>	<u>(3,466,134)</u>	<u>8,855,477</u>
	<b>Contributed equity \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	12,321,611	(3,660,156)	8,661,455
Loss after income tax expense for the half-year	-	(85,124)	(85,124)
Other comprehensive income for the half-year, net of tax	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the half-year			
	<u>-</u>	<u>(85,124)</u>	<u>(85,124)</u>
Balance at 31 December 2018	<u>12,321,611</u>	<u>(3,745,280)</u>	<u>8,576,331</u>

*The above condensed statement of changes in equity should be read in conjunction with the accompanying notes*



**Royalco Resources Limited**  
**Condensed statement of cash flows**  
**For the half-year ended 31 December 2018**

	December 2018 \$	December 2017 \$
<b>Cash flows from operating activities</b>		
Interest received	19,514	29,608
Royalty received	452,409	317,068
Other receipts	18,505	10,185
Payments to suppliers and employees (inclusive of GST)	<u>(306,310)</u>	<u>(775,812)</u>
Net cash from/(used in) operating activities	<u>184,118</u>	<u>(418,951)</u>
<b>Cash flows from investing activities</b>		
Net cash from investing activities	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	184,118	(418,951)
Cash and cash equivalents at the beginning of the financial half-year	<u>2,164,198</u>	<u>2,584,650</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,348,316</u></u>	<u><u>2,165,699</u></u>

*The above condensed statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the company include:

*AASB 9 Financial Instruments*

In the current half-year, the company has applied AASB 9 'Financial Instruments' (as amended) and the related consequential amendments to other AASB Standards that are effective for an annual reporting period that begins on or after 1 July 2018.

AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the company's financial statements are described below.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management reviewed and assessed the company's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has not had any material impact on the company's financial assets in respect of their classification and measurement. Loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

A significant change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of the issuer. This change in accounting policy has not affected the company's accounting as all of the company's financial liabilities continue to be measured at amortised cost using the effective interest method as at 31 December 2018.

**Note 1. Significant accounting policies (continued)**

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. AASB 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for receivables. Given low historic value of the receivable write-offs, the application of the AASB 9 impairment requirements has not resulted in any material additional loss allowances to be recognised for the half-year ended 31 December 2018.

Hedge accounting requirements of AASB 9 have not had any material impact on the company's financial statements as the company did not hold any hedging instruments as at 31 December 2018.

*AASB 15 Revenue from Contracts with Customers*

In the current reporting period, the company has applied AASB 15 'Revenue from Contracts with Customers' which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

Management have assessed that AASB 15 will not have a material impact on the company's financial statements given that the company's main income streams being royalty income, interest income and rental income are not within the scope of AASB 15.

**Accounting Standards and Interpretations issued but not yet effective**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below which are expected to be applicable to the company were in issue but not yet effective:

- AASB 16 - "Leases"

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 July 2019. The date of initial application of AASB 16 for the company will be 1 July 2019.

Management have assessed that AASB 16 will not have a material impact on the company's financial statements given that the company's contract for the lease of its office in Melbourne expires in September 2019 and is not expected to be prolonged, and thus is considered a short-term lease which will continue to be recognised as a lease expense on a straight-line basis.

**Note 2. Operating segments**

*Identification of reportable operating segments*

The company is organised into one operating segment: management of resource based royalties. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

**Note 3. Non-current assets - intangibles**

	<b>December 2018</b>	<b>June 2018</b>
	<b>\$</b>	<b>\$</b>
Royalty rights - at cost	8,500,000	8,500,000
Less: Accumulated amortisation	<u>(2,408,333)</u>	<u>(2,195,833)</u>
	<u><u>6,091,667</u></u>	<u><u>6,304,167</u></u>

**Royalco Resources Limited**  
**Notes to the condensed financial statements**  
**31 December 2018**

**Note 3. Non-current assets - intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Royalty rights \$	Total \$
Balance at 1 July 2018	6,304,167	6,304,167
Amortisation expense	<u>(212,500)</u>	<u>(212,500)</u>
Balance at 31 December 2018	<u><u>6,091,667</u></u>	<u><u>6,091,667</u></u>

During 2018, the company announced its intention to dispose of the Weeks royalty right. The directors have assessed and considered that at balance date the recognition criteria of AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations' have not been met, and therefore the Weeks royalty right is continued to be classified as a non-current asset.

**Note 4. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 5. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Note 6. Loss per share**

	December 2018 \$	December 2017 \$
Loss after income tax attributable to the owners of Royalco Resources Limited	<u>(85,124)</u>	<u>(227,650)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>52,714,183</u>	<u>52,714,183</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>52,714,183</u></u>	<u><u>52,714,183</u></u>
	Cents	Cents
Basic loss per share	(0.16)	(0.43)
Diluted loss per share	(0.16)	(0.43)

**Royalco Resources Limited**  
**Directors' declaration**  
**31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Susan Thomas  
Non-Executive Chair

8 March 2019  
Sydney

## **Independent Auditor's Review Report to the Members of Royalco Resources Limited**

We have reviewed the accompanying half-year financial report of Royalco Resources Limited (the "Company"), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 gives a true and fair view and 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 Company's financial position as at 31 December 2018 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 Royalco 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.

### *Auditor's Independence Declaration*

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*, which has been given to the directors of Royalco Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## 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 Royalco Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Cheryl Kennedy  
Partner  
Chartered Accountants  
Sydney, 8 March 2019