

December 2011 Quarterly Report

27th January 2012

Corporate Details

ASX Code:	RCO
Issued Capital:	52,714,183 shares
Share Price:	51.5 cents
Market Capitalisation:	\$27.1 million
Cash/Liquids:	\$16.4 million

Major Shareholders:

Acorn	14.89%
Directors	19.01%
Anglo Pacific	32.98%

Directors:

Peter Topham –	Executive Chairman
David Ogg –	Executive Director
Bruce Pertzelt -	Director
Chris Orchard-	Director

The strength of Royalco Resources royalty income continues whilst a greater emphasis on exploration initiatives will be evident over coming months.

KEY POINTS

1. Income from royalty interests was \$1.9 million for the quarter.
2. Kingsgate Consolidated has announced extension drilling is underway on the 99 million ounce silver resource at Bowdens as part of the feasibility process. Royalco Resources retains a royalty interest on this project which is due for commencement in 2014.
3. Additional royalty income could now be anticipated from the Reefion royalty interests following positive comments from the operator, Oceana Gold.
4. A number of proposals for exploration participation in East Africa are under review whilst exploration activities in the Philippines are set to accelerate over coming months.

The Company's strategy is to expand a core royalty portfolio of income producing base and precious metals interests. This may be achieved by direct acquisition, exploration initiatives, or as a result of mezzanine/project financing activities. In addition, successful exploration activities will be maximised to the benefit of shareholders in whatever corporate format deemed appropriate.

Royalty Interests

During the quarter receipts were received from three of the ten royalty interests held. The placing of Mount Garnet on care and maintenance should see this figure reduce to the two main interests during this quarter. This should have minimal impact on revenue going forward. In addition, future royalty income has been enhanced with developments at both Bowdens and additional developments at Reefton.

The primary source of royalty income remains the **Reefton** royalty interest where 1250 ounces of gold was received pre New Zealand withholding tax -1062.5 ounces post the withholding tax. At prevailing gold prices and exchange rates this equates to in excess of \$6 million per annum in net royalty income.

The price at delivery for the quarter was A\$1,593 per ounce which equated to A\$1.693 million. Royalco is currently holding recent gold receipts in anticipation of higher spot gold prices.

The operator, Oceana Gold, has advised that substantial drilling/development programs have been commissioned on additional targets in the Reefton region. These include the Blackwater and Big River Prospects which will yield additional royalty payments to Royalco once these projects have been brought into production.

The royalty at **Mt Kelly**, where the Hong Kong based CST Mining Group is the operator, is a 1% Net Smelter Return, capped at \$1,000,000 in total from two separate royalty areas. Income for the quarter was \$46,230.

A total of \$163,044 was received during the quarter from the **Mt Garnet** royalty interest where there is a 3% Net Smelter Return on production. The operator, Kagara Limited, has announced that the Mt Garnet operations have been put on care and maintenance. There remains significant reserves/resources at Mt Garnet and operations could be quickly reactivated at the operator's discretion given the proximity to the processing plant.

In various recent presentations Kingsgate Consolidated Limited has expressed a desire to commence production on the **Bowdens** silver project by 2014.

The Royalco royalty interest on this project which commences at a 2% net smelter return until US\$5 million has been received then reverts to a 1% net smelter return for the life of the mine.

Exploration

The basis for Royalco's exploration initiatives is to generate royalties and free-carried interests in a portfolio of projects. It is not necessarily the company's ultimate intention to be the operator of any mining project. Third parties would probably be introduced to develop any discovery made.

*Exploration activities to date have concentrated in the **Philippines**. Prospects identified in **Ethiopia** and **Uganda** continue to be evaluated.*

Philippines :-

Yabbi (Gold/Copper) 100%

Soil sampling in the Phase 1 area is ongoing at various sites within the Lintukan region.

Approvals for exploration on Phase 3 are nearing completion. This Phase is to the east of Phase 1 and potentially lies on structural trends with the potential for the generation of more substantial targets.

Pao (Gold/Copper) 100%

The project remains on care and maintenance status with ongoing discussions underway with the Mines & Geosciences Bureau (MGB) regional office over plans to restart the project. These discussions will probably involve the need to renew the tenement with documentation in support of the renewal currently being prepared.

Conwap (Gold/Copper) 100%

Administrative requirements to convert the existing FTA application licence to an Exploration Permit are ongoing.

Once completed Royalco will hold a dominant and strategic tenement position on major interpreted structures in a corridor south east of Oceana Gold's Didipio Project.

Gambang (Copper) Subject to Vale Option to Purchase

Vale has applied for permission to undertake an extensive geophysical program prior to the next round of drilling.

East Africa:-

Royalco has established a presence in East Africa, based in Ethiopia, and is currently reviewing regions in both Ethiopia and Uganda.

Tenement applications were suspended in Ethiopia during the quarter. This suspension has allowed Government authorities to catch up on numerous administrative issues outstanding and is due to be lifted later in this current quarter.

In Uganda Royalco has acquired the core data generated from the Block 1 aerial survey sponsored by the World Bank in 2008. This data has been reprocessed by consultants with identified areas of interest now being pursued.

Corporate

A fully franked dividend of 2 cents per share has been declared for payment later in February.

A handwritten signature in black ink, appearing to read 'P. J. Topham', with a long horizontal flourish extending to the right.

Peter J Topham
Executive Chairman

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Royalco Resources Ltd

ABN

53 096 321 532

Quarter ended ("current quarter")

December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6months) \$A'000
1.1 Receipts from product sales and related debtors *	1,902 #	4,096
1.2 Payments for (a) exploration & evaluation	(549)	(803)
(b) development	-	-
(c) production	-	-
(d) administration	(261)	(544)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	174	445
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(316)	(587)
1.7 Other (provide details if material)	(3)	(30)
Net Operating Cash Flows	947	2,577
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	1,589
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(1,693) (1)	(1,693)
Net investing cash flows	(1,693)	(104)
1.13 Total operating and investing cash flows (carried forward)	(746)	2,473

* Royalties received.

Item includes gold received directly as royalty income valued at \$1.693 million on date of receipt.

(1)Includes gold still on hand of \$1.693million.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(746)	2,473
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid *	-	(1,054)
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	(1,054)
	Net increase (decrease) in cash held	(746)	1,419
1.20	Cash at beginning of quarter/year to date	15,828	13,663
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	15,082	15,082

* Dividend of 2c per share (fully franked) paid 05/09/2011.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	193
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

+ See chapter 19 for defined terms.

3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
4.3	Production	-
4.4	Administration	248
Total		648

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	207	644
5.2 Deposits at call	11,802	10,177
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank term deposits	3,073	5,007
Total: cash at end of quarter (item 1.22)	15,082	15,828

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-		
6.2	Interests in mining tenements acquired or increased	-		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	52,714,183	52,714,183	40 cents	40 cents
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



27 January, 2012

Sign here: Date:
(Director/Company secretary)

Print name: David L Ogg.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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