

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

Half-year Report
For the half-year ended 31 December 2009

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CORPORATE DIRECTORY

Board of Directors

Mr Peter Topham
Mr David Ogg
Mr Tom Eadie
Mr Bruce Pertzelt
Mr Chris Orchard

Company Secretary and Chief Financial Officer

Mr David Ogg

Registered Office

Level 9/356 Collins Street
Melbourne Victoria 3000
Telephone: 613 9602 3626
Facsimile: 613 9670 4479
Email: info@royalco.com.au
Website: www.royalco.com.au

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6133
Telephone: (08) 9315 2333

Auditor

Melanie Leydin
Leydin Freyer Audit Pty Ltd
Chartered Accountants
Suite 304, 22 St Kilda Road
St Kilda Victoria 3182

Solicitor

Baker & McKenzie
Level 39 Rialto 525 Collins Street
Melbourne Victoria 3000

Bankers

ANZ Bank
388 Collins Street
Melbourne Victoria 3000

Commonwealth Bank
367 Collins Street
Melbourne VIC 3000

Stock Exchange Listing

Royalco Resources Limited is listed on the Australian Stock
Exchange.
ASX Code: RCO

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DIRECTORS' REPORT

The Directors of Royalco Resources Limited submit herewith the financial report for the half-year ended 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the half-year are:

Name	
Peter Topham	Executive Chairman
David Ogg	Executive Director
Tom Eadie	Non Executive Director
Bruce Pertzell	Non Executive Director
Chris Orchard	Non Executive Director

REVIEW OF OPERATIONS

The consolidated net profit after income tax for the half year was \$2,976,772 (2008: \$202,560)

In the six months to 31st December 2009, Royalco's royalty income achieved record levels. It is anticipated that similar income levels will be achieved in the current half year to 30th June 2010.

DMR Corporate provided a valuation of the royalty interests held by the Company in September 2009, suggesting a range of between \$15.88 and \$16.96 million. Royalty receipts subsequent to the preparation of that report have achieved higher levels than those used as a basis for that valuation range.

Physical gold (after withholding tax) received from the Reefion royalty was 2,233.8 ounces for the half year. This is expected to reduce marginally, as per agreements, to 2,125 ounces for the current half year at prevailing \$NZ gold prices.

The gold holdings on deposit at the beginning of this financial year were 1116.9 ounces. That holding was sold during the term as well as some additional ounces received from the royalty leaving a gold on deposit position of 616.9 ounces at 31st December 2009.

Payments totalling \$291,000 were received under the Mt Garnet royalty in the half year with a further \$397,000 now accrued for the quarter ending 31st December. Receipts from this royalty have been well in excess of levels anticipated by the Board and bodes well for coming periods.

The small Mt Kelly royalty is currently in abeyance whilst the operator, Cape Lambert Limited, is reviewing its recommissioning options.

On the expense side of the equation, exploration costs reduced significantly in the Philippines.

A drilling programme was to be initiated on the Pao prospect in Nueva Viscaya however a large contingent of protestors, supported by non representative religious groups, barricaded access to the tenement the night before drill mobilisation to the site. To avoid any potential violence the programme was discontinued with immediate effect and the tenement placed on suspension.

The Gambang project is currently the subject of a Letter of Intent from a major mining group. Due diligence is being completed and further developments on this front will be announced to the ASX when appropriate.

The remaining exploration area in the Philippines, Yabbe, is in the final stages of approval.

ROYALCO RESOURCES LIMITED
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Additional exploration opportunities are under consideration including the establishment of a presence in Cambodia.

The evaluation of fresh royalty opportunities is an ongoing process. Several tenders were reviewed over the past six months though none of these opportunities would have achieved our benchmark returns.

Royalco's financial position continues to strengthen and taxation advice is awaited in terms of fully franked potential dividends and/or capital returns to shareholders. This advice should be received in coming weeks.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the review of the half-year is included on page 5.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



P J Topham
Executive Chairman

MELBOURNE,

17th February 2010

LeydinFreyer

ABN: 25 339 005 263

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Facsimile: +613 9529 8057

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Royalco Resources Limited:

I declare that to the best of my knowledge and belief, in relation to the Independent Half-year Auditor's Review for the half-year ending 31 December 2009, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



MELANIE J LEYDIN
Registered Company Auditor
Registration: 212298

17th February 2010

LeydinFreyer

ABN: 25 339 005 263

Suite 304, 22 St Kilda Road, St Kilda, Vic. 3182

Telephone: +613 9692 7222

Facsimile: +613 9529 8057

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ROYALCO RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Royalco Resources Limited, which comprises the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity, cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration of the company at the end of the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 matters that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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 audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 consolidated entity's financial position as at 31 December 2009 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*.

Yours faithfully



MELANIE J LEYDIN
Registered Company Auditor
Registration: 212298

17th February 2010

DIRECTORS DECLARATION

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



P J Topham
Executive Chairman

Executive Chairman

MELBOURNE,

17th February 2010

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2009	Half-year ended 31 December 2008
	\$	\$
Royalty revenue	4,265,251	1,550,364
Interest revenue	98,265	182,342
Realised gains on investments	132,290	-
Unrealised gains on investments	242,755	-
	4,738,561	1,732,706
Cost of Royalty Income	(33,573)	-
Employment expenses	(280,236)	(284,136)
Administration expenses	(293,225)	(311,377)
Loss on fair value of investment	-	(155,562)
Depreciation and amortisation	(6,273)	(34,401)
Withholding Tax	-	-
Exploration costs written off	(3,920)	(724,832)
	4,121,334	222,398
Profit/(loss) before tax for the period	4,121,334	222,398
Income tax benefit	(1,144,562)	(19,838)
	2,976,772	202,560
Profit/(loss) for the period	2,976,772	202,560
Other Comprehensive Income		
Exchange differences arising on translation of foreign operations	(375,809)	481,336
	2,600,963	683,896
Total comprehensive income for the period	2,600,963	683,896
	Cents per Share	Cents per Share
Earnings/(Loss) per share		
Basic Earnings/(Loss) per share	5.65	0.42
Diluted Earnings/(Loss) per share	5.29	0.39

This statement is to be read in conjunction with the notes to the financial statements.

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CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	31	30 June
	December	2009
	2009	
	\$	\$
Current Assets		
Cash and cash equivalents	11,281,940	7,311,056
Trade and other receivables	982,483	1,943,803
Other financial assets	1,114,925	1,430,277
Other current assets	-	7,384
Total Current Assets	<u>13,379,348</u>	<u>10,692,520</u>
Non-Current Assets		
Plant and equipment	35,196	39,928
Deferred tax assets	106,436	2,831
Royalty rights	214,345	247,918
Intangible assets	421,965	426,681
Exploration expenditure	4,763,377	4,595,531
Other non-current assets	259,544	75,495
Total Non-Current Assets	<u>5,800,863</u>	<u>5,388,384</u>
Total Assets	<u>19,180,211</u>	<u>16,080,904</u>
Current Liabilities		
Trade and other payables	53,967	108,592
Provisions	131,486	115,203
Tax Liabilities	532,377	-
Total Current Liabilities	<u>717,830</u>	<u>223,795</u>
Non-Current Liabilities		
Provisions	64,049	59,740
Total Non-Current Liabilities	<u>64,049</u>	<u>59,740</u>
Total Liabilities	<u>781,879</u>	<u>283,535</u>
Net Assets	<u>18,398,332</u>	<u>15,797,369</u>
Equity		
Contributed Equity	17,593,031	17,593,031
Reserves	(330,755)	45,054
Retained Earnings / (Accumulated losses)	1,136,056	(1,840,716)
Total Equity	<u>18,398,332</u>	<u>15,797,369</u>

This statement is to be read in conjunction with the notes to the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED

	Issued Capital	Retained Earnings	Options Reserve(s)	Foreign Currency Transaction Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2008	17,672,434	(4,533,667)	676,441	(237,236)	13,577,972
Profit/(loss) for the period (a)	-	202,560	-	-	202,560
Currency translation differences	-	-	-	481,336	481,336
Total comprehensive income for the period	-	202,560	-	481,336	683,896
Balance as at 31 December 2008	17,672,434	(4,331,107)	676,441	244,100	14,261,868
Balance as at 1 July 2009	17,593,031	(1,840,716)	676,441	(631,387)	15,797,369
Profit/(loss) for the period (a)	-	2,976,772	-	-	2,976,772
Currency translation differences	-	-	-	(375,809)	(375,809)
Total comprehensive income for the period	-	2,976,772	-	(375,809)	2,600,963
Balance as at 31 December 2009	17,593,031	1,136,056	676,441	(1,007,196)	18,398,332

(a) Profit for the period equals total recognised income and expense for the period.

This statement is to be read in conjunction with the notes to the financial statements.

ROYALCO RESOURCES LIMITED
ABN 16 108 398 983

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2009	Half-year ended 31 December 2008
	\$	\$
Cash flows from operating activities		
Royalties received	215,796	-
Interest received	106,702	217,123
Payments to suppliers and employees	(600,339)	(904,272)
	<hr/>	<hr/>
Net cash used in operating activities	(277,841)	(687,149)
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of financial assets	4,782,369	1,966,991
Payment for property, plant and equipment	-	(17,006)
Payment for exploration expenditure	(533,644)	(1,475,505)
	<hr/>	<hr/>
Net cash provided by / (used in) investing activities	4,248,725	474,480
	<hr/>	<hr/>
Net Increase/(Decrease) in Cash Held	3,970,884	(212,669)
Cash and cash equivalents at beginning of the financial year	7,311,056	5,939,036
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	11,281,940	5,726,367
	<hr/> <hr/>	<hr/> <hr/>

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009.

The Group has adopted all of the new and revised Standard and Interpretations issued by the AASB that are relevant to their operations and effective for the current period.

New and revised Standards and Interpretations effective for the current period that relevant to the Group include:

- AASB 8 : Operating Segments
- AASB 101 : Presentation and Financial Statements

2. SEGMENT INFORMATION

The company's principal activity in the course of the half year was the management of the resource based royalties and the exploration of mineral tenements located in the Philippines.

ROYALCO RESOURCES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

The company's principal activity in the course of the half year was the management of the resource based royalties and the exploration of mineral tenements located in the Philippines.

	ROYALTY RIGHTS		EXPLORATION		CORPORATE		CONSOLIDATED	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Revenue								
External Sales	4,390,606	1,550,364	-	-	347,955	182,342	4,738,561	1,732,706
Result								
Segment Result before tax	2,825,958	393,429	(72,971)	(171,031)	223,785	(19,838)	2,976,772	202,560
Assets								
Segment Assets	13,416,196	7,605,770	5,399,503	6,836,713	364,512	34,147	19,180,211	13,786,870
Liabilities								
Segment Liabilities	758,801	214,762	13,078	-	10,000	-	781,879	208,897
Other								
Depreciation of Segment Assets	-	-	-	-	6,273	10,317	6,273	10,317
Amortisation of Royalty Rights	33,573	19,351	-	-	-	-	33,573	19,351

3. ISSUE OF EQUITY SECURITIES

During the half year ended 31 December 2009 no options were issued by Royalco Resources Limited.

During the 30 June 2009 financial period Royalco Resources Limited issued the following options:

- 150,000 options at an exercise price of \$0.52 exercisable on or before 31/3/2011. The options were valued at \$0.238 per option using the Black Scholes option valuation methodology and a term for the options of 4.5 years.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. BUSINESS COMBINATIONS

There were no entities acquired or disposed of during the half year. The consolidated group is as follows:

Name of Entity	Country of Incorporation	Ownership Interest	
		31 December 2009 %	31 December 2008 %
Parent Entity			
Royalco Resources Limited	Australia		
Subsidiaries			
Royalco Philippines Inc.	Philippines	100%	100%
Ginto Minerals Pty Ltd	Australia	100%	100%
Royalco Resources (No 1) Pty Ltd	Australia	100%	100%

5. COMMITMENTS FOR EXPENDITURE

There was no material change in the company's commitments since the end of the last reporting period.

6. EVENTS AFTER THE BALANCE SHEET DATE

Other than as disclosed above, no matter or circumstance has arisen since the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.