

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

Half-year Report
For the half-year ended 31 December 2008

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

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 Corporate 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 2008. 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

REVIEW OF OPERATIONS

The consolidated net profit after income tax for the half year was \$202,560 (2007: loss of \$354,449)

In the six months to 31st December 2008, Royalco continued to receive significant royalty income.

Settlement of outstanding legal issues concerning the Reefion Gold Royalty were consummated with the operator, Oceana Gold (New Zealand) Limited in the September quarter, with physical gold receipts in excess of 1,000 ounces per quarter now being achieved.

Royalties from the Mt Garnet operations of Kagara Limited have also commenced.

At Mt Kelly, the operator (Copperco Limited) unfortunately has been placed in receivership. This situation is being monitored and it should be noted that any future production from this area, whether it be by Copperco in receivership or any party that acquires these operations, should be liable to Royalco for royalty payments.

No activities of significance have been reported in reference to other royalty interests.

In the Philippines a more aggressive exploration programme on one of the two major project areas was completed. A porphyry system at Gambang was confirmed with better drilling results including 33.4 metres at 0.96 per cent copper from 124.6 metres, and 46.65 metres of 0.80 per cent copper from 181.35 metres recorded in hole GDH-005 as reported for the December quarter.

Subject to final access issues being resolved over coming weeks, additional drilling at Gambang and possible drilling on an enargite target at Pao have been budgeted for the second quarter of this calendar year.

Future exploration commitments are having stricter parameters applied in reference to commodity type, potential grade requirements and target tonnages. Gold exploration is of the highest priority with a view to conversion of all exploration interests to either free carried interests or royalties, or both, in each instance.

The Board continues to evaluate opportunities for the acquisition of existing royalties, as well as their creation through funding and exploration of advanced prospects. Several opportunities in both categories were reviewed in the half year, with none satisfying the company's investment parameters. Current financial conditions are expected to present further opportunities throughout the year.

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

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

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

P J Topham
Executive Chairman

MELBOURNE,

13 March 2009

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 2008, 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

13 March 2009

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 2008, 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 2008 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 2008 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

13 March 2009

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,

13 March 2009

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED ENTITY	CONSOLIDATED ENTITY
	Half-year ended	Half-year ended
	31	31
	December	December
	2008	2007
	\$	\$
Royalty Revenue	1,550,364	-
Interest Revenue	182,342	276,044
Other Revenue	-	5,091
Employment expenses	(284,136)	(315,076)
Administration expenses	(311,377)	(223,981)
Share based payments	-	(32,812)
Loss on fair value of investment	(155,562)	(63,406)
Depreciation and amortisation	(34,401)	(9,533)
Exploration costs written off	(724,832)	(89,772)
Profit/(loss) before tax for the period	222,398	(453,445)
Income tax benefit	(19,838)	98,996
Profit/(loss) for the period	202,560	(354,449)
	Cents per share	Cents per share
Earnings/(Loss) per Share		
Basic Earnings/(Loss) per share	0.38	(0.63)
Diluted Earnings/(Loss) per share	0.36	(0.59)

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

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	CONSOLIDATED ENTITY	
	31	30
	December	June
	2008	2008
	\$	\$
Current Assets		
Cash and cash equivalents	5,726,367	5,939,036
Trade and other receivables	108,257	75,990
Other financial assets	<u>823,290</u>	<u>1,391,402</u>
Total Current Assets	<u>6,657,914</u>	<u>7,406,428</u>
Non-Current Assets		
Plant and Equipment	66,944	57,937
Deferred tax assets	1,095,925	1,115,765
Royalty Rights	307,161	326,512
Intangible assets	431,961	439,010
Exploration expenditure	5,843,908	4,368,401
Other non-current assets	<u>72,817</u>	<u>72,817</u>
Total Non-Current Assets	<u>7,818,716</u>	<u>6,380,442</u>
Total Assets	<u>14,476,630</u>	<u>13,786,870</u>
Current Liabilities		
Trade and other payables	21,598	47,800
Provisions	<u>138,062</u>	<u>119,274</u>
Total Current Liabilities	<u>159,660</u>	<u>167,074</u>
Non-Current Liabilities		
Provision	<u>55,102</u>	<u>41,824</u>
Total Non-Current Liabilities	<u>55,102</u>	<u>41,824</u>
Total Liabilities	<u>214,762</u>	<u>208,898</u>
Net Assets	<u>14,261,868</u>	<u>13,577,972</u>
Equity		
Contributed Equity	17,672,434	17,672,434
Reserves	920,541	439,205
Accumulated losses	<u>(4,331,107)</u>	<u>(4,533,667)</u>
Total Equity	<u>14,261,868</u>	<u>13,577,972</u>

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

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED					
	Issued Capital	Retained Earnings	Option Reserve	Foreign Currency Translation Reserve	Total
Equity as at 1 July 2007	18,546,934	(4,142,920)	595,170	(61,359)	14,937,825
Share based payments	-	-	32,812	-	32,812
Currency translation differences	-	-	-	336,005	336,005
Profit/(loss) for the period (a)	-	(354,449)	-	-	(354,449)
Equity as at 31 December 2007	18,546,934	(4,497,369)	627,982	274,646	14,952,193

CONSOLIDATED					
	Issued Capital	Retained Earnings	Option Reserve	Foreign Currency Translation Reserve	Total
Equity as at 1 July 2008	17,672,434	(4,533,667)	676,441	(237,236)	13,577,972
Share based payments	-	-	-	-	-
Currency translation differences	-	-	-	481,336	481,336
Profit/(loss) for the period (a)	-	202,560	-	-	202,560
Equity as at 31 December 2008	17,672,434	(4,331,107)	676,441	244,100	14,261,868

(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 2008

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
Cash Flows From Operating Activities		
Royalties received	1,966,991	-
Interest received	217,123	265,613
Payments to suppliers and employees	<u>(904,272)</u>	<u>(493,920)</u>
Net cash (used in)/provided by operating activities	<u>1,279,842</u>	<u>(228,307)</u>
Cash Flows From Investing Activities		
Proceeds from sale of financial assets	-	71,980
Payments for financial assets	-	(106,388)
Payment for property, plant and equipment	(17,006)	(37,330)
Payment for exploration expenditure	<u>(1,475,505)</u>	<u>(614,450)</u>
Net cash used in investing activities	<u>(1,492,511)</u>	<u>(686,188)</u>
Net Increase (Decrease) in cash and cash equivalents	(212,669)	(914,495)
Cash and cash equivalents at beginning of the half year	<u>5,939,036</u>	<u>9,008,311</u>
Cash and cash equivalents at the end of the half year	<u>5,726,367</u>	<u>8,093,816</u>

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 2008 annual financial report for the financial year ended 30 June 2008.

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		UNALLOCATED		CONSOLIDATED	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Revenue								
External Sales	1,550,364	-	-	-	182,342	281,135	1,732,706	281,135
Result								
Segment Result	393,429	(379,816)	(171,031)	(73,629)	(19,838)	98,996	202,560	(354,449)

ROYALCO RESOURCES LIMITED
ABN 16 108 398 983

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ISSUE OF EQUITY SECURITIES

During the half year ended 31 December 2008 no options were issued by Royalco Resources Limited.

During the 30 June 2008 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.

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 2008 %	31 December 2007 %
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

CONSOLIDATED ENTITY
31 December 2008
30 June 2008
\$ \$

Exploration Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

Not later than one year	67,140	82,132
Later than one year but not later than five	232,349	242,320
Later than five years	-	-
	299,489	324,452

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.