

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

Half-year Report
for the half-year ended 31 December 2007

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 6153
Telephone: (08) 9315 2333

Auditor

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

Bankers

ANZ Bank
388 Collins Street
Melbourne Victoria 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 2007. 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
Adam Boyd	Non Executive Director (resigned 16 November 2007)
Tom Eadie	Non Executive Director
Peter Lester	Non Executive Director (resigned 22 October 2007)
Bruce Pertzelt	Non Executive Director (appointed 16 November 2007)

REVIEW OF OPERATIONS

The consolidated net loss after income tax for the half year was \$354,449 (2006: loss of \$220,395)

During the half year to December 31, Royalco maintained its exploration focus on the Philippines whilst also completing an unsuccessful tender for a large portfolio of mineral royalties.

Exploration was centered on the Pao project where the company encountered numerous objections from unaffected non representative organizations who have adopted an anti development/anti mining stance. These objections are being overcome through community support as well as support from the MGB. To advance exploration at Pao significant alternate roadworks have been progressed, despite adverse climatic conditions, and our geologists are now active on the tenement. In an attempt to recover lost time a second diamond rig will be mobilized to the area once the initial program has been firmly established.

Indigenous people's approval for the Gampang project continues with a view to grant and subsequent drilling later this calendar year. In the meantime initial soil sampling has been completed at the Malangza project and drilling to assist with structural interpretation is scheduled for commencement in the second quarter.

A legal argument has arisen with the operator of the Reefton Gold Project as to the commencement date of the Royalco royalty interest. The issue is not the royalty itself, rather when the first date for payment is due. Legal action in the New Zealand courts has been initiated by the company.

Discussions with the operators at Mt Garnet and Mt Kelly suggest both projects will be approaching the first payments of the respective royalty interests towards the end of 2008.

Additional royalty interests were generated in a commercial arrangement with Syrah Resources Limited during the second half of 2007 and further royalty acquisitions remain under consideration.

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 blue ink, appearing to read 'P. J. Topham', with a long horizontal line extending to the right.

P J Topham
Executive Chairman

MELBOURNE,

13 March 2008

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

AUDITOR'S INDEPENDENCE DECLARATION
(LEYDIN FREYER)

AUDITOR'S REVIEW REPORT 1

AUDITOR'S REVIEW REPORT 2

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 2008

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2007 \$	Half-year ended 31 December 2006 \$
Interest Revenue	276,044	292,337
Other Revenue	5,091	182,132
Employment expenses	(315,076)	(360,960)
Administration expenses	(223,981)	(277,167)
Share based payments	(32,812)	(44,382)
Loss on fair value of investment	(63,406)	-
Depreciation	(9,533)	(2,056)
Exploration costs written off	(89,772)	(176,553)
Profit/(loss) before tax for the period	(453,445)	(386,649)
Income tax benefit	98,996	166,254
Profit/(loss) for the period	(354,449)	(220,395)
	Cents per share	Cents per share
Earnings/(Loss) per Share		
Basic Earnings/(Loss) per share	(0.63)	(0.39)
Diluted Earnings/(Loss) per share	(0.59)	(0.37)

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 2007

	CONSOLIDATED ENTITY	
	31	30
	December	June
	2007	2007
	\$	\$
Current Assets		
Cash and cash equivalents	8,093,816	9,008,311
Trade and other receivables	88,635	47,447
Other financial assets	465,000	491,850
Other current assets	10,294	3,510
Total Current Assets	<u>8,657,745</u>	<u>9,551,118</u>
Non-Current Assets		
Plant and Equipment	72,844	66,538
Deferred tax assets	1,204,782	1,105,786
Royalty Rights	336,697	336,697
Intangible assets	446,059	424,568
Exploration expenditure	4,416,833	3,556,151
Other non-current assets	72,817	72,817
Total Non-Current Assets	<u>6,550,032</u>	<u>5,562,557</u>
Total Assets	<u>15,207,777</u>	<u>15,113,675</u>
Current Liabilities		
Trade and other payables	96,758	42,330
Provisions	112,489	92,658
Total Current Liabilities	<u>209,247</u>	<u>134,988</u>
Non-Current Liabilities		
Provision	46,337	40,862
Total Non-Current Liabilities	<u>46,337</u>	<u>40,862</u>
Total Liabilities	<u>255,584</u>	<u>175,850</u>
Net Assets	<u>14,952,193</u>	<u>14,937,825</u>
Equity		
Contributed Equity	18,546,934	18,546,934
Reserves	902,628	533,811
Accumulated losses	(4,497,369)	(4,142,920)
Total Equity	<u>14,952,193</u>	<u>14,937,825</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 2007

CONSOLIDATED					
	Issued Capital	Retained Earnings	Option Reserve	Foreign Currency Translation Reserve	Total
Equity as at 1 July 2006	18,546,934	(2,672,982)	517,468	(25,807)	16,365,613
Share based payments	-	-	44,382	-	44,382
Currency translation differences	-	-	-	12,331	12,331
Profit/(loss) for the period (a)	-	(220,395)	-	-	(220,395)
Equity as at 31 December 2006	18,546,934	(2,893,377)	561,850	(13,476)	16,201,931

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

(a) Loss 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 2007

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2007 \$	Half-year ended 31 December 2006 \$
Cash Flows From Operating Activities		
Interest received	265,613	292,337
Payments to suppliers and employees	<u>(493,920)</u>	<u>(886,734)</u>
Net cash (used in)/provided by operating activities	<u>(228,307)</u>	<u>(594,397)</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	(37,330)	(57,334)
Payment for exploration expenditure	<u>(614,450)</u>	<u>(412,562)</u>
Net cash used in investing activities	<u>(686,188)</u>	<u>(469,896)</u>
Net Increase (Decrease) in cash and cash equivalents	(914,495)	(1,064,293)
Cash and cash equivalents at beginning of the half year	<u>9,008,311</u>	<u>10,827,559</u>
Cash and cash equivalents at the end of the half year	<u>8,093,816</u>	<u>9,763,266</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 2007 annual financial report for the financial year ended 30 June 2007.

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 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Revenue								
External Sales	-	-	-	-	281,135	474,469	281,135	474,469
Result								
Segment Result	(379,816)	(357,739)	(73,629)	(28,910)	98,996	166,254	(354,449)	(220,395)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ISSUE OF EQUITY SECURITIES

During the half year ended 31 December 2007 Royalco Resources Limited issued 150,000 options at an exercise price of \$0.80 exercisable on or before 31/3/2011. The options were valued at \$0.21 per option using the Black Scholes option valuation methodology and the key assumptions were a 64% volatility rate, a \$0.665 cent market value for the shares, a risk free interest rate of 6% and a term for the options of 3.5 years. A discount of 30% has been applied for vesting hurdles.

During the 30 June 2007 financial period Royalco Resources Limited issued the following options

- 420,000 options at an exercise price of \$0.52 exercisable on or before 31/3/2011. The options were valued at \$0.23 per option using the Black Scholes option valuation methodology and the key assumptions were a 33% volatility rate, a \$0.50 cent market value for the shares, a risk free interest rate of 5.5% and a term for the options of 3.5 years.
- 150,000 options at an exercise price of \$0.50 exercisable on or before 31/3/2011. The options were valued at \$0.1848 per option using the Black Scholes option valuation methodology and the key assumptions were a 30% volatility rate, a \$0.50 cent market value for the shares, a risk free interest rate of 5.5% and a term for the options of 3.5 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 2007 %	31 December 2006 %
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%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED ENTITY	
	31	30
	December	June
	2007	2007
	\$	\$
Exploration Tenements – Commitments for Expenditure		
<p>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:</p>		
Not later than one year	94,248	154,009
Later than one year but not later than five	19,023	34,425
Later than five years	-	-
	113,271	188,434
	113,271	188,434

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 other than:

A legal argument has arisen with the operator of the Reefion Gold Project as to the commencement date of the Royalco royalty interest. The issue is not the royalty itself, rather when the first date for payment is due. Legal action in the New Zealand courts has been initiated by the company.