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28th July 2011

Corporate Details

ASX Code: RCO
Issued Capital: 52,714,183 shares
Share Price: 39.5 cents
Market Capitalisation: \$20.8million
Cash/Liquids: \$15.2million

Major Shareholders:

| | |
|---------------|--------|
| Acorn | 14.89% |
| Directors | 19.01% |
| Anglo Pacific | 31.11% |

Directors:

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

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June 2011 Quarterly Report

KEY POINTS

1. Receipts from royalty interests continued at approximately \$2 million during the quarter.
2. Exploration update

Philippines

Trenching at the Yabbi tenement in the Philippines continues whilst a significant number of community relations programs have been completed.

Diamond drilling has ceased for the time being on the Gambang tenement pending clarification of access issues, which are currently being addressed.

East Africa

MOUs have been executed in Ethiopia whilst a number of other projects in East Africa are under consideration.

3. Proposed dividend

The Board of Directors has recommended a 2 cent per share fully franked dividend to be paid early September. Exact dates for payment and books closing date will be advised to the ASX shortly.

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

Royalco currently holds a total of ten royalty interests of which four produced income during the quarter.

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.

On the date the physical gold was received from Reefton the spot gold price was approximately A\$1453. The position was held post the end of the quarter and sold on 14th July at a spot price of A\$1473. Royalco does not currently hold any physical gold at this point in time.

The operator, OceanaGold, has advised that substantial drilling programs have been commissioned on additional targets in the Reefton region which would attract separate royalty payments to Royalco if brought into production.

A total of \$324,155 was received during the quarter from the ***Mt Garnet*** royalty interest where there is a 3% Net Smelter Return on production from the Mt Garnet tenements. The average production rate at Mt Garnet has been in the range of 15-20,000 tonnes per month but can vary significantly depending on the operator's production requirements.

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 \$95,851. (Total royalties paid to date are less than \$500,000.)

The royalty interest on the ***Dagworth & Huonfels*** tenements, (where the operator is a privately owned German group, Deutsche Rohstoff Australia Pty Ltd) generated income of \$ 14,602 to Royalco for the period. The royalty interest is calculated at \$10 per ounce on the first 10,000 ounces of gold produced and a 1.5% overriding royalty on production thereafter. Overall production is scheduled at comparatively minor levels at this stage.

No activities of substance have been advised on the company's other royalty interests whilst the review of other new royalty opportunities remains an ongoing priority.

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 other countries in East Africa are now being evaluated.*

Philippines Projects:-

(a) Gambang (Copper) Subject to Vale Option to Purchase

Assay results are still awaited from Vale on the most recent drilling program.

Interference from non resident protestors has delayed access to drilling on the main Cableway Prospect in the near term. This issue is being addressed as a matter of priority

(b) 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.

The MGB recently completed a program to delete numerous exploration applications and approvals throughout the Philippines and whilst Pao potentially fell into that category Royalco has sought exemption from this process as access to the tenement was beyond the company's control.

(c) Yabbi (Gold/Copper) 100%

Trenching is ongoing at various sites in phase 1 within the Lintukan region on a number of auriferous quartz vein breccias. The objective is to have these targets up to drill ready status on completion of the wet season in November/December.

Approvals for exploration on Phase 3 are being advanced.

Community relations efforts include medical missions, maintenance of day care centres and school buildings as well as road developments.

(d) Conwap(Gold/Copper)100%

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

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.

East Africa

Royalco has taken its first steps towards acquiring significant gold and base metals exploration leases in Ethiopia, potentially the first of a number of proposed transactions in East Africa.

Royalco has executed Memoranda of Understanding with two, geotechnically qualified local entities, over two separate project areas approximately 450 km north west of the capital city of Addis Ababa.

Three MOUs encompassing additional projects in Ethiopia and Uganda as announced to the ASX on 10th June will not be progressed given unrealistic vendor expectations. The due diligence process conducted on these projects has given rise to other regional opportunities which will be progressed over coming months.

Royalco has:

- (a) Executed a Memorandum of Understanding over Exploration Licence MOM/EL/213/2010, (the Serkeysa project), which is highly prospective for gold and base metals. Royalco can earn a 60% interest in the tenement for the expenditure of US\$1,000,000.
- (b) Royalco has signed a second Memorandum of Understanding, with a separate local Ethiopian entity, encompassing exploration licence applications and prospecting licence applications located in the same region as in (i) above, (the Kilaj project). The expenditure commitment in this instance is for US\$750,000 to earn an 80% interest.

Ethiopia has recently enacted mining legislation, including fiscal obligations, considered to be globally competitive. Other mining groups active in the country include BHP Billiton (potash), AngloGold (precious metals), Nyota (precious metals), as well as a handful of Canadian and UK junior exploration groups focussing on either potash or precious metals.

The region, considered part of the Pan African Orogenic mobile Belt, is underlain by a sequence of late Proterozoic age volcano-sedimentary rocks (of the Tulu- Dimtu group) that are in tectonic contact with the highly metamorphosed rocks of the Pre-Cambrian age (considered early Proterozoic)

basement. The volcano-sedimentary rocks comprised intermediate to felsic metavolcanics, greenschist, phyllite, quartzite, marble and metaconglomerate and are associated with intrusive rocks that host swarms of quartz veins.

These rock sequences are part of the Arabian-Nubian Shield, a geologic terrain that extends from Saudi Arabia, through Egypt and Sudan southwards to Ethiopia, Uganda and Kenya. Widespread granitic batholiths and intrusive complexes disrupt these crustal-derived and younger supracrustal volcano-sedimentary sequences. The tectonic regime represents continental rifting, subsequent convergence and the development of intra-oceanic volcanic arcs and marginal basins, a fertile environment for the formation of metallic (precious and base-metal) mineral deposits.

Corporate

A further dividend of 2 cents per share, fully franked, has been declared by the Royalco Board for payment in September. Details of the dividend payment particulars will be advised to the ASX shortly.



Peter J Topham
Executive Chairman

The information in this report as it relates to geology, geochemical, geophysical and exploration results was compiled by Mr. Joey Ayson, MAusIMM, (Philippines Exploration) who is a Competent Person and has in excess of 5 years experience in the minerals industry and the activities being reported on. Mr. Ayson is a full time employee of the Company and consents to the inclusion of this information in the form and context in which it appears in this report.

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")

June 2011

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9months) \$A'000 |
|---|----------------------------|-----------------------------------|
| 1.1 Receipts from product sales and related debtors * | 1,978 # | 7397 |
| 1.2 Payments for (a) exploration & evaluation | (329) | (978) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (271) | (1,006) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 132 | 519 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | (272) | (1,390) |
| 1.7 Other (provide details if material) | (6) | (20) |
| Net Operating Cash Flows | 1,232 | 4,522 |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (2) | (3) |
| 1.9 Proceeds from sale of: (a) prospects | - | - |
| (b) equity investments | - | 5,444 |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | (1,059) (1) | (4,010) |
| Net investing cash flows | (1,061) | 1,431 |
| 1.13 Total operating and investing cash flows (carried forward) | 171 | 5,953 |

* Royalties received.

Item includes gold received directly as royalty income valued at \$1.544 million on date of receipt.

(1) Includes deduction of gold still on hand of \$1.544million detailed above and funds received from subsidiary of \$485,000

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|--------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | 171 | 5,953 |
| | 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 | 171 | 4,899 |
| 1.20 | Cash at beginning of quarter/year to date | 13,492 | 8,764 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 13,663 | 13,663 |

* Dividend of 2c per share (fully franked) paid 25/02/2011.

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 | 173 |
| 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 | 293 |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 248 |
| Total | | 541 |

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 | 686 | 3,120 |
| 5.2 Deposits at call | 296 | 26 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) Bank term deposits | 12,681 | 10,346 |
| Total: cash at end of quarter (item 1.22) | 13,663 | 13,492 |

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.



July, 2011

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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