

June 2012 Quarterly Report

26 July 2012

CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 52 cents

Market Capitalisation: \$27.4 million

Cash/Liquids: \$17.8 million

Major Shareholders:

Acorn	14.89%
Directors	19.01%
Anglo Pacific	34.11%

Directors:

Peter Topham –	Executive Chairman
David Ogg –	Executive Director
Bruce Pertzelt -	Director
Piers Reynolds-	Director

The strength of Royalco Resources' royalty income continues, while a greater emphasis on exploration initiatives is being undertaken.

KEY POINTS

1. Royalty interests generated \$1.8 million for the quarter.
2. Royalty income was derived from the Reefton Project in New Zealand and Mt Kelly operations in Australia. No further royalties will be receivable under the Mt Kelly royalty agreement, and the Reefton project is expected to complete its current obligations later this calendar year. However, future royalty income should be derived from extensions to the Reefton Project, and the development of the Bowdens silver Project in New South Wales.
3. Exploration East Africa- five additional tenements have been applied for in Uganda.
4. Exploration Philippines- recent infrastructure initiatives associated with the Pao Project should enhance tenement accessibility, in anticipation of the end of the wet season.

The 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

Two of the ten royalty interests held produced income during the quarter-Reefton in New Zealand and Mt Kelly in Queensland.

Reefton remains the primary source of royalty income. A total of 1250 ounces of gold was received pre New Zealand withholding tax -1062.5 ounces after withholding tax.

The price at delivery for the quarter was \$1,622 per ounce which equated to \$1.723 million.

All physical gold holdings were liquidated during the period in question.

The operator at Reefton, Oceana Gold, continues to provide encouraging updates to exploration activities on additional prospects in the Reefton region. These include the Blackwater and Big River prospects which will yield additional royalty payments to Royalco once brought into production. Scoping studies for Blackwater suggest an annual production rate of 50,000 ounces. If achieved and using the current spot price for gold, this would equate to approximately \$2.4 million a year payable to Royalco.

At ***Mt Kelly***, where the Hong Kong based CST Mining Group is the operator, the royalty is a 1% Net Smelter Return, capped at \$1,000,000 in total from two separate royalty areas. Income received for the quarter was \$75,000, with a further \$57,000 accrued for the period to 30th June. That royalty ceiling has now been reached.

On the ***Bowdens*** Project in New South Wales, Kingsgate Consolidated Limited has provided further positive information to the ASX. A bankable feasibility study is due for release in the December quarter.

The Royalco royalty interest on this project starts 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.

At the ***Sam's Creek*** Project in New Zealand, where Royalco holds a 1% royalty interest, MOD Resources Limited reported on 25 June 2012 a resource of 1.024 million ounces of gold following the first stage of drilling. A second stage is currently underway.

Exploration

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

*Exploration activities are now being undertaken in both the **Philippines** and **East Africa** with these two regions offering significant prospectivity and satisfactory risk/reward scenarios versus sovereign risk assessments. The Philippines is more mature in terms of the quantity of historical exploration and given its recognised high potential for fresh discoveries, this region remains of strong commercial interest. East Africa on the other hand has had little modern exploration but despite this lack of technical support has generated a number of substantial discoveries in the past few decades.*

Philippines :-

Pao (gold/copper) 100%

Access is being finalised with a number of road sections being concreted during the quarter. On site facilities, including an exploration camp, are near completion and soil sampling programs to augment historic programs have been implemented.

Yabbe (gold/copper) 100%

Exploration on Phase 3 of the tenement area will be progressed once final approval is received from the relevant indigenous authorities. Such approval is believed to be imminent. This phase is believed to lie on prospective structural trends to the south-east of targets within the Pao tenement. Initial exploration will entail soil sampling.

Conwap (gold/copper) 100%

Administrative requirements to convert the existing FTA application licence to an Exploration Permit are ongoing and will be advanced once Phase 3 approval at Yabbe has been finalised.

The above three tenements in Nueva Viscaya will provide Royalco Resources with 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

The renewal process for Phases 2 and 3 has been delayed pending an announcement by the Philippines Government on its current minerals policy. This announcement was delivered last week after a delay of several months. Approvals for the renewal of these phases is expected shortly and once completed it is anticipated that Vale should be in a position to undertake drilling programs on the most advanced targets such as Cableway.

Upon exercise of the option to purchase Royalco Resources will receive US\$ 5 million and be entitled to a royalty ranging from 1.3 to 1.5 % Net Smelter Return.

East Africa:-

Royalco has continued to build up its presence in East Africa. Initial activity is focussed on Uganda.

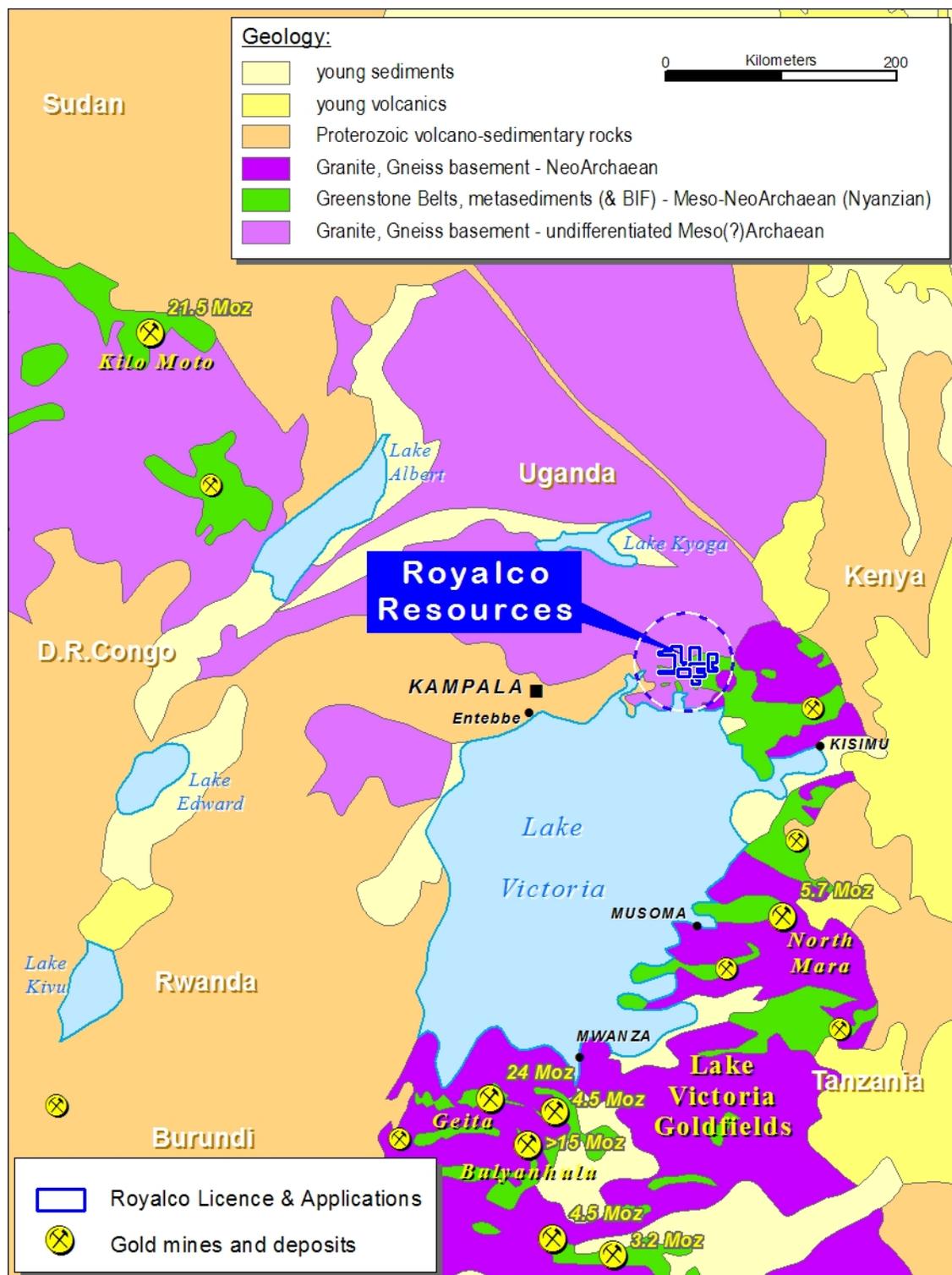
Royalco has started a program of tenement acquisitions following a review of relevant airborne geophysical data and an expert's photogeological study of a region in south-east Uganda, underlain by rocks considered to be equivalent to those of the Lake Victoria Goldfield in Tanzania (where annual gold production exceeds one million ounces [Mozs] and an aggregate of more than 60 Mozs of gold has been discovered).

Two exploration licences (covering 700 square kilometres) were granted in the previous quarter and applications for another five (covering 463 square kilometres) have been lodged.

One granted licence (EL0963 – “Namutumba”) has now been relinquished following a ground investigation in April-May which indicated the entire area was underlain by non-prospective Basement Complex rocks (not known to host gold mineralisation).

A first pass reconnaissance geochemical sampling program has started in EL0962 – “Busesa” an area of 244 square kilometres. Active sediment in drainages is being sampled, usually from pits excavated through fine sediments that choke the natural stream channels, where Nyanzian Greenstones are inferred, under cover of soils and laterite, or in contact with intrusive complexes. These samples will be subjected to analysis using bulk leach extraction of gold (BLEG) - for gold and silver, and atomic absorption spectrometry (AAS)/ Inductively Coupled Plasma (ICP) for other trace and pathfinder elements. A total of 19 samples has been collected to date and await analysis.

The proposed work programs for the first year include reconnaissance geological mapping, geochemical sampling and drilling where appropriate.



Royalco tenements and tenement applications in Uganda

Corporate

Mr Piers Reynolds was appointed as a non executive director of Royalco Resources Limited on 19 June 2012 following the resignation of Chris Orchard. Mr Reynolds is a qualified geologist and director of Veritas Securities Limited.

The information in this report as it relates to geology, geochemical, geophysical and exploration results was compiled by Mr. Bruce Pertzelt, FAusIMM, who is a Competent Person and has in excess of 5 years experience in the minerals industry and the activities being reported on. Mr. Pertzelt is a director of the company and consents to the inclusion of this information in the form and context in which it appears in this report.

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

June 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors *	1,798 #	7,850
1.2 Payments for (a) exploration & evaluation	(426)	(1,454)
(b) development	-	-
(c) production	-	-
(d) administration	(261)	(1,058)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	208	866
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(735)	(1,588)
1.7 Other (provide details if material)	(19)	(44)
Net Operating Cash Flows	565	4,572
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	-	3,382
(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)
Net investing cash flows	-	1,689
1.13 Total operating and investing cash flows (carried forward)	565	6,261

* Royalties received.

Item includes gold received directly as royalty income valued at \$1.723 million and sold on date of receipt.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	565	6,261
	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 *	-	(2,108)
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	(2,108)
	Net increase (decrease) in cash held	565	4,153
1.20	Cash at beginning of quarter/year to date	17,251	13,663
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	17,816	17,816

* Dividend of 2c per share (fully franked) paid 13/02/2012.

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	169
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	600
4.2	Development	-
4.3	Production	-
4.4	Administration	248
Total		848

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	1,045	1,860
5.2 Deposits at call	15,749	13,945
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank term deposits	1,022	1,446
Total: cash at end of quarter (item 1.22)	17,816	17,251

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.



26 July, 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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