

June 2009 Quarterly Report

21st July 2009

Corporate Details

ASX Code: RCO

Issued Capital: 52,714,183 Shares

2,950,000 Options @ 50c, 31/3/2011 (Unlisted)
510,000 Options @ 52c, 31/3/2011 (Unlisted)
150,000 Options @ 80c, 31/3/2011 (Unlisted)

Share Price: 31 cents

Market Capitalisation: \$16.3 million

Cash Balance: \$7.06 million

Gold Balance: 2,233.8 ounces

Major Shareholders:

Oz Minerals	18.97%
Directors	19.01%
Anglo Pacific	31.11%

Directors:

Peter Topham – Executive Chairman
David Ogg – Executive Director
Tom Eadie – Non executive Director
Bruce Pertzelt - Non executive Director

HIGHLIGHTS

Royalco received a record level of income from its royalty portfolio for the three month period ending 30th June.

Physical gold (1116.9 ounces) continues to accrue from the Reefion gold project in New Zealand. In addition, cash payments were received from both Mt Garnet and Mt Kelly totaling \$355,639.

Detailed research into several royalty opportunities are ongoing with negotiations being advanced during the current quarter.

Corporate

During the quarter, Anglo Pacific launched an on market takeover bid. When completed on the 10th July, Anglo Pacific held 31.11 per cent of the Company's issued capital.

Royalco's cash position remains strong - \$7.06 million cash on deposit, 2,233.8 ounces of gold currently held and substantial royalty income being received. At prevailing spot gold prices, the overall cash/liquids position is approximately \$9.75 million.

The Company's strategy is the building of a core royalty portfolio of income producing base and precious metals interests. This will be achieved by either direct acquisition, exploration initiatives, or as a result of mezzanine/project financing activities.

Royalty Interests

Royalco currently holds a total of 12 royalty interests of which three produced income during the quarter. Using prevailing spot prices for gold, income for the quarter from these interests was \$1.65 million.

The delivery of physical gold into the Company's account at AGR Matthey continues under the ***Reefton*** royalty agreement with Oceana Gold Limited. It is envisaged that royalty payments will continue at the rate of 1116.9 ounces per quarter through calendar 2009 subject to the spot price remaining above NZ\$900 (currently NZ\$1600+). At prevailing prices and exchange rates this equates to over A\$ 5 million per annum in royalty income.

At ***Mt Garnet*** there is a 3% Net Smelter Return on production from the original Mt Garnet tenements. A total of \$139,462 was received during the quarter. A further \$109,000 has been accrued and is payable in the current quarter. The amount receivable under this royalty interest will not only fluctuate with commodity prices but will also be irregular as the ***Mt Garnet*** operations are conducted on a campaign basis - ore requirements being sourced from several separate deposits, including those on which Royalco has no royalty interest.

The royalty at ***Mt Kelly*** is a 1% Net Smelter Return, capped at \$1,000,000 in total from two separate royalty areas. Receipts for the quarter from the Receiver of Copperco Limited were \$216,177 including penalty interest. A further \$41,652 has been accrued for the period ending 30th June though operations have now been suspended.

In June the ***Mt Kelly*** operations were acquired by Cape Lambert Iron Ore Limited. The current project owner has indicated a willingness to on sell the project. No indication can be provided as to when operations may resume.

The royalty interest on the ***Dagworth & Huonfels*** tenements has been assigned to a private German based group, Deutsche Rohstoff Australia Pty Ltd. Royalco is led to believe this incoming operator has plans to implement development of the Red Dam Project-to which the royalty applies-as a matter of priority.

A milestone payment on first production of \$100,000 is applicable as well as \$10 per ounce on the first 10,000 ounces of gold produced and a 1.5% over riding royalty on production thereafter.

No activities of substance have been advised on the company's other royalty interests whilst the royalty on ***Lake Margaret*** in Tasmania lapsed following relinquishment of that project by the operator.

The majority of management time is currently being spent on evaluating several royalty opportunities in the precious metals, base metals and energy sectors. Confidentiality Agreements have been executed in some instances whilst further Agreements are expected to be executed during this current quarter.

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 and mine any discovery made. Exploration activities to date have concentrated in the Philippines; however other locations may be considered subject to a sovereign risk assessment and other relevant issues.

(i) *Pao / Yabbe (Gold)*

The main prospect on the ***Pao*** tenement is Manidyo, a high-sulphidation epithermal vein comprising several sub-parallel veins and enargite-cemented vein breccias. A sample from this vein assayed 49 g/t gold, 348 g/t silver and 3.94% copper.

Various community support programs have been initiated in the past twelve months and road rehabilitation has commenced at both local and regional levels. Resumption of exploration, and more particularly drilling at Manidyo, is envisaged later this quarter.

The ***Yabbe*** tenement application is being progressed and adjoins ***Pao*** on the south side. A few stream sediment samples with anomalous assays up to 30 g/t gold have been recorded from this region during exploration in the 1980s. The application is awaiting FPIC approval with this process envisaged to be completed closer to calendar year end.

A joint venture is being initiated with the Bugkalot indigenous community over possible exploration in their ancestral domain. This region lies to the east and south east of the Pao/Yabbe tenements.

(ii) *Gambang (Copper)*

Approvals to proceed with the second phase exploration area, (including the Manga Prospect), and the third phase, (which includes the Cableway Prospect), are still awaiting processing by the NCIP Central Office.

Expressions of interest have been received from third parties to farm into this tenement. The extent of this interest will be clarified over coming weeks and consideration will be given to a joint venture over this property should a suitable arrangement be offered.

Corporate

Management holds a positive outlook to the A\$ price of gold going forward. It is not anticipated that the existing physical gold position (2,233.8 ounces) and further gold receipts in the near term due from royalties will be immediately converted to cash. This attitude will be modified to reflect market circumstances as appropriate.

Anglo Pacific PLC, through on market bid that concluded on the 10th July, acquired an additional 11 per cent of the outstanding 80 per cent of Royalco's issued capital it was not previously entitled to. This takes its level of interest to 31.11 per cent. A board position has now been offered to a nominee of Anglo Pacific subject to customary restrictions given the competing activities of royalty procurement currently undertaken by the two companies.

The share buy-back programme instigated earlier this year is currently suspended though other capital management issues, including a dividend policy, are under review.



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, 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.

Name of entity

Royalco Resources Ltd

ABN

53 096 321 532

Quarter ended ("current quarter")

June 2009

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 *	356	4,548
1.2 Payments for		
(a) exploration and evaluation	(241)	(2,688)
(b) development	-	-
(c) production	-	-
(d) administration	(231)	(958)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	53	331
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	28	31
	(35)	1,264
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	28	28
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	25	25
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(10)	1,289

* Royalties received

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(10)	1,289
	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	-	-
1.19	Other (provide details if material)*	(79)	(79)
	Net financing cash flows	(79)	(79)
	Net increase (decrease) in cash held	(89)	1,210
1.20	Cash at beginning of quarter/year to date	7,150	5,851
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7,061	7,061

* RCO shares purchased pursuant to buy back

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	154
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 above includes payments to Pertzelt Tahan & Associates Pty Ltd of \$10,088.95 for geological services. Pertzelt Tahan & Associates Pty Ltd is controlled by a director of the Company, Mr Bruce Pertzelt

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
Total	500

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	1,336	2,433
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank Term Deposits	5,725	4,717
Total: cash at end of quarter (item 1.22)	7,061	7,150

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	-			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	-			
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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.

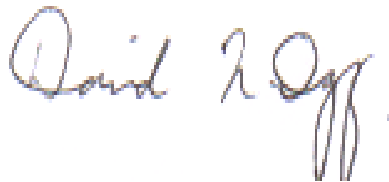
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	-	-		
Preference +securities <i>(description)</i>				
7.2				
Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	52,714,183	52,714,183	50 cents	50 cents
+Ordinary securities				
7.4				
Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
	-	-	-	-
	397,017	397,017	50 cents	50 cents
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			Exercise price	Expiry date
	2,950,000	-	50 cents	31st Mar 2011
	510,000	-	52 cents	31st Mar 2011
	150,000	-	80 cents	31st Mar 2011
7.8	-	-		
Issued during quarter				

+ See chapter 19 for defined terms.

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>	-	-		

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.



21 July 2009

Sign here: Date:
(Company secretary)

Print name: David L Ogg
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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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly 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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