

## March 2011 Quarterly Report

19th April 2011

### Corporate Details

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 42 cents

Market Capitalisation: \$22.1million

Cash Balance (1/4/2011): \$14 million

Gold on Deposit: Nil ounces

### 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

### KEY POINTS

1. Additional royalty streams come online during the quarter.

*The total number of producing royalties has increased from two to four in the past three months.*

2. Vale has paid the second instalment under the Option and Sale Agreement for the Gambang tenement in the Philippines.

*Payment of US\$500,000 was received on the 1<sup>st</sup> April.*

3. Exploration to accelerate in coming months

*Encouraging results from trenching at the Yabbi tenement in the Philippines have been received.*

*Diamond drilling has been ongoing at the Gambang tenement in the Philippines as part of the Vale Option and Sale Agreement.*

*As a fresh initiative, negotiations in Ethiopia are being advanced on a number of projects with the emphasis on gold potential.*

4. Royalco paid a maiden dividend in February of two cents per share, fully franked.

*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 approximately \$5.9 million per annum in net royalty income.

Advantage was taken during the quarter to realise the physical gold held over from the previous quarter (also 1062.5 ounces) as well as immediately crystallising the value of gold received during the March Quarter at a price of A\$1415 per ounce. Royalco does not currently hold any physical gold.

A total of \$426,739 was received during the quarter from the ***Mt Garnet*** royalty interest where there is a 3% Net Smelter Return on production from the original Mt Garnet tenements.

The operator at Mt Garnet, Kagara Ltd, announced in its quarterly report to the ASX on 11th April 2011 encouraging results from extension drilling that may have a positive impact on future resource/reserve figures. As disclosed on the Kagara website, the reserve figure as at September 2010 for Mt Garnet was 592,823 tonnes at 5.8% zinc, 0.3% copper and 15 g/t silver. The resource figure, excluding reserves was 544,000 tonnes at 6.7% zinc, 0.4% copper and 18 g/t silver in the indicated category and 136,000 tonnes at 8.6% zinc, 0.4% copper and 49 g/t silver. (Please refer to the relevant section on the Kagara website for the attributions as to Competent Persons). 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. Receipt for the quarter of \$8,372 represents the recommissioning stage of the project and production is expected to ramp up to much higher levels over coming months. Total royalties paid to date are less than \$400,000.

The royalty interest on the ***Dagworth & Huonfels*** tenements, (where the operator is a privately owned German group, Deutsche Rohstoff Australia Pty Ltd) has commenced payment. Initial ore has been processed and sold resulting in income of \$ 12,974 to Royalco for the period. As with Mt Kelly, the project is still in a ramp up phase with higher receipts due in the current quarter. 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 and mine any discovery made.*

*Exploration activities to date have concentrated in the **Philippines**. Prospects identified in **Ethiopia** are now being actively negotiated and releases to the ASX are planned should these reach fruition*

*As to the Philippines Projects:-.*

### **Gambang (Copper)**

Vale paid a further US\$500,000 on 1<sup>st</sup> April as part of the Option and Sale Agreement. This lifted Royalco's net cash position close to \$14 million and represents a further vote of confidence in the project.

Vale had mobilised two rigs during the quarter and completed approximately 2,900 metres of diamond core drilling on two lesser ranked prospects whilst negotiating final access to the Cableway Prospect. No reports as to commercial intercepts have been provided from the drilling to date.

A recent change to the composition of the regional board of the National Commission on Indigenous Peoples (NCIP) to a more anti mining faction has cast doubt on exploration approvals for additional phases of the tenement (Phases 4 & 5) and appropriate legal action has now been advanced to remedy any hurdles that may impinge on such approvals.

### **Pao (Gold/Copper)**

The project remains on care and maintenance status. Royalco has approached the Mines & Geosciences Bureau (MGB) regional office over plans to restart the project with simultaneous discussions with the key opposition personalities and the Local Government Units taking place.

The MGB recently implemented a program to delete numerous exploration applications and approvals 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. The issue is being advanced with the appropriate authorities.

## **Yabbi (Gold/Copper)**

The project area is dominantly underlain by porphyritic andesite lava, with minor pyroclastic rocks. Follow-up work on a soil anomaly in the Lintukan area has led to the discovery of auriferous quartz vein breccias with associated base metal mineralisation. A float sample along Musde Creek yielded 35.99 g/t Au and 249.9 g/t Ag.

Assay results for Trench 01 (Musde Vein) channel sampling yielded 10m @ 0.29% Cu, 0.24% Zn, 0.11% Pb, 0.35 g/t Au and 15.20 g/t Ag, including 6m @ 0.47% Cu, 0.39% Zn, 0.16% Pb, 0.27 g/t Au and 15.53 g/t Ag. At Trench 06, a grab sample of recently exposed chalcedonic quartz vein breccia with quartz veinlets assayed 5.25 g/t Au.

Trenching is ongoing at other areas to expose these vein breccias.

Royalco has filed with the NCIP regional office its intent to proceed to Phase 2 and Phase 3 with Phase 3 being a priority. A field based investigation for clearance by the NCIP is scheduled by May.

## **Conwap**

Documentation is proceeding to convert the existing FTA application licence to an Exploration Permit. This is scheduled to occur over coming months.

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.

## **Corporate**

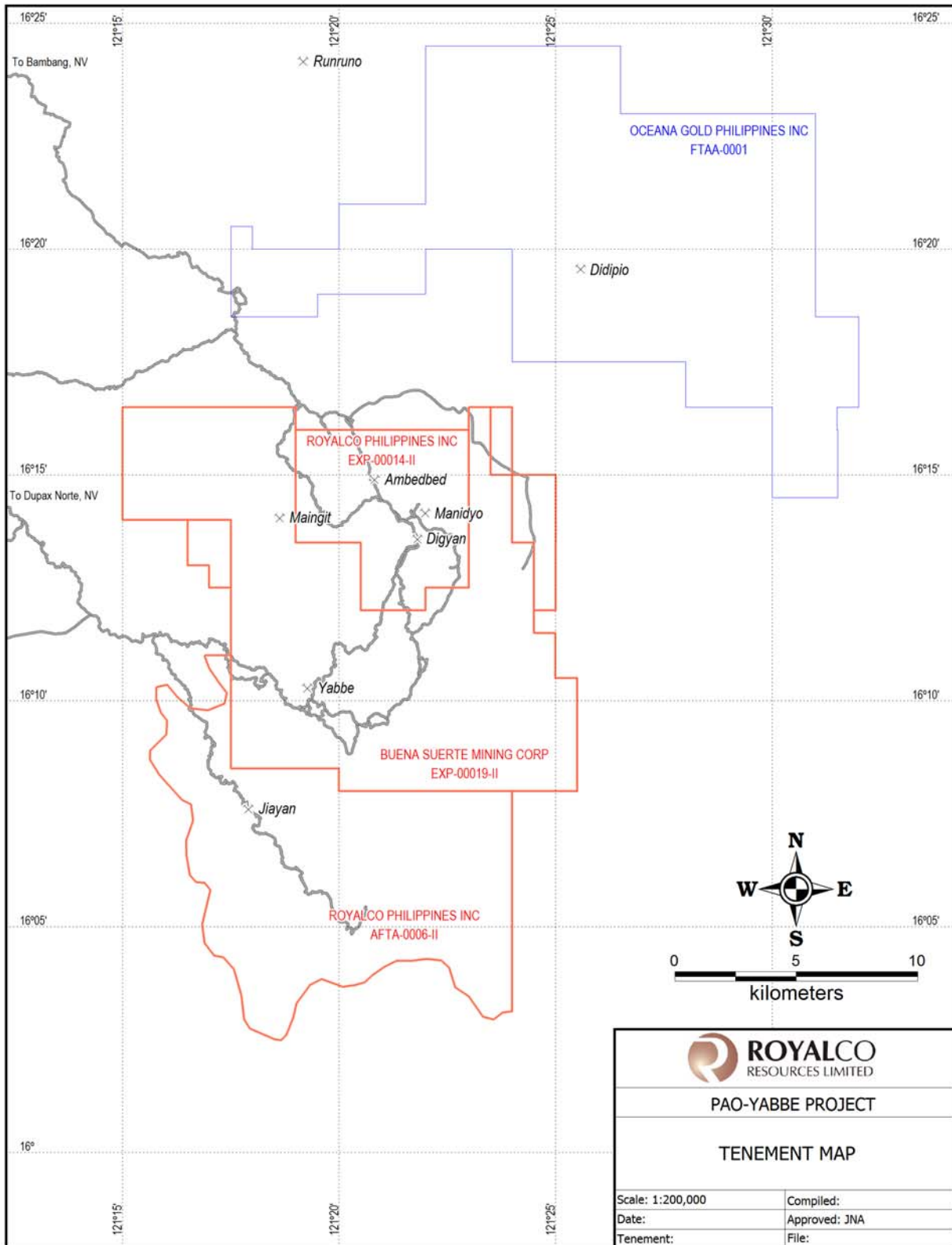
A maiden dividend of 2 cents per share was paid in February. It is anticipated that further payments of dividends will be made on a bi-annual basis, subject to underlying profitability and other relevant financial considerations.

At the end of the quarter all options on issue expired prior to exercise.



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.***



ROYALCO  
RESOURCES LIMITED

PAO-YABBE PROJECT

TENEMENT MAP

Scale: 1:200,000	Compiled:
Date:	Approved: JNA
Tenement:	File:

# 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")

March 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 *	1,951 #	5,419
1.2 Payments for (a) exploration & evaluation	(311)	(649)
(b) development	-	-
(c) production	-	-
(d) administration	(212)	(735)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	168	387
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(1,036)	(1,118)
1.7 Other (provide details if material)	18	(14)
<b>Net Operating Cash Flows</b>	578	3,290
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(1)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	1,869 (1)	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)	-	(2,951)
<b>Net investing cash flows</b>	1,869	2,492
1.13 Total operating and investing cash flows (carried forward)	2,447	5,782

\* Royalties received.

# Item includes gold received directly as royalty income valued at \$1.504 million on date of receipt and subsequently sold during the quarter.

(1) Includes sale of gold on hand of \$1.503million

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	2,447	5,782
	<b>Cash flows related to financing activities</b>		
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)	(1,054)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(1,054)	(1,054)
	<b>Net increase (decrease) in cash held</b>	1,393	4,728
1.20	Cash at beginning of quarter/year to date	12,099	8,764
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	13,492	13,492

\* 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	161
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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**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
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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
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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	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	293
4.2 Development	-
4.3 Production	-
4.4 Administration	248
<b>Total</b>	<b>541</b>

**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	3,120	1,268
5.2 Deposits at call	26	49
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank term deposits	10,346	10,782
<b>Total: cash at end of quarter</b> (item 1.22)	<b>13,492</b>	<b>12,099</b>

**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	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 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <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	2,950,000 510,000 150,000	- - -	<i>Exercise price</i> 40 cents 42 cents 70 cents	<i>Expiry date</i> 31 march 2011 31 march 2011 31 march 2011
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
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## 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.

*David L Ogg*

19 April, 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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+ See chapter 19 for defined terms.