

## March 2012 Quarterly Report

**30th April 2012**

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 50.5 cents

Market Capitalisation: \$26 million

Cash/Liquids: \$16.4 million

#### Major Shareholders:

Acorn	14.89%
Directors	19.01%
Anglo Pacific	32.98%

#### Directors:

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

The strength of Royalco Resources royalty income continues whilst a greater emphasis on exploration initiatives will be evident over coming months.

### KEY POINTS

1. Income from royalty interests was \$1.956 million for the quarter.
2. Royalty income was derived from three separate projects in New Zealand and Australia.
3. Exploration East Africa-the first of new tenement applications have been granted in Uganda. Project reviews continue in Ethiopia.
4. Exploration Philippines-the attractive Pao tenement has been renewed with accelerated exploration activity forecast over coming months. The major exploration targets in Yabbe tenement should become accessible in the near term.

*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

During the quarter receipts were received from three of the ten royalty interests held. The placing of Mount Garnet on care and maintenance in the December Quarter saw revenue from this interest reduce during the March 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.

The price at delivery for the quarter was \$1,565 per ounce which equated to \$1.663 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 these projects have been brought into production. Scoping studies for Blackwater suggest an annual production rate of 50,000 ounces per annum. If achieved and using the current spot price for gold, this would equate to approximately \$2.4 million per annum payable to Royalco.

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 \$47,700.

A total of \$245,200 was received during the quarter from the **Mt Garnet** royalty interest where there is a 3% Net Smelter Return on production. The operator, Kagara Limited, had announced in the previous quarter that the Mt Garnet operations have been put on care and maintenance. Royalco notes that Kagara Limited was placed in voluntary administration this morning. The amount outstanding for the March Quarter was \$160,498.80 and has been invoiced. The effect of voluntary administration relating to this royalty interest is not considered material to Royalco's ongoing activities and financial position

In various recent presentations Kingsgate Consolidated Limited has expressed a desire to commence production on the **Bowdens** silver project by 2014.

The Royalco royalty interest on this project which commences 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.

## **Exploration Philosophy**

*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 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 however given its recognised high potential for fresh discoveries this region remains of strong commercial interest. East Africa on the other hand has received little modern exploration and despite this lack of technical support has generated a number of substantial discoveries in the past few decades.*

## **Philippines Exploration Activities:-**

### **Yabbe (Gold/Copper) 100%**

Trenching and soil sampling in the Phase 1 area is ongoing at various sites within the Lintukan region.

Approvals for exploration on Phase 3 are nearing completion. This Phase is to the east of Phase 1 and potentially lies on structural trends with the potential for the generation of more substantial targets.

### **Pao (Gold/Copper) 100%**

Renewal of the tenement has been completed and road access is being upgraded prior to the advancement of more detailed exploration efforts.

### **Conwap (Gold/Copper) 100%**

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

*Once completed Royalco will hold a dominant and strategic tenement position with Pao, Yabbe and Conwap located on major interpreted structures in a corridor south east of Oceana Gold's Didipio Project.*

## **Gambang (Copper) Subject to Vale Option to Purchase**

The tenement is undergoing a renewal process for Phases 2 and 3. Once completed it is anticipated that Vale should be in a position to undertake drilling programs on the most advanced targets such as Cableway.

## **East African Exploration Activities:-**

Royalco has established a presence in East Africa, and is currently assessing prospective regions in both Uganda and Ethiopia.

In Uganda, Royalco has acquired the core data generated from the Block 1 aerial geophysical survey sponsored by the World Bank in 2008. This data has been reprocessed by consultants with identified areas of interest now being pursued.

The occurrence of the greenstone belt referred to as the Nyanzian Formation (which is considered an extension of the Lake Victoria Goldfield present in Tanzania and a geological province containing many world class gold deposits) in the southern portion of the south east Uganda is the prime geological target.

Two tenements have now been granted in this region and further applications will be advanced this current quarter.

The main tenement (EL 962-“Busesa”) is targeted towards investigation for gold and base metals mineralization. It is located 12 kilometres west of Bugiri , and covers an area of 244 square kilometres..

A second tenement (EL 963 “Namutumba”) has the same commodity preference and is located 15 kilometres north of Iganga and covers an area of 456 square kilometres.

Following the discovery of gold in south east Uganda in the early 1930s, most of the initial exploration/mining activities concentrated mainly on the alluvial potential. Comparatively small scale primary gold discoveries were made later in the 1930s on auriferous quartz veins at Tira and Amonikakinei.

Historic mining operations were of an intermittent nature. The overall gold production over a period of 12 to 15 years at the Tira mine is estimated to be between 1 and 1.5 tons (32,150 and 48,255 ounces) .

The tenements do not enclose any known mineral occurrence. Their selection has been based on geophysical interpretation coupled with photo geological interpretation.

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

In Ethiopia, tenement applications were suspended by the Government in late 2011 in order to overcome a large backlog of applications being made coupled with a high degree of delinquency amongst operators on their respective work commitments. No firm timetable for this situation to be rectified has been provided by the Government.

In the meantime Royalco continues to review potential farm in opportunities in Ethiopia with parties who have existing tenements.

### ***Corporate***

A fully franked dividend of 2 cents per share was paid in February.

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")

March 2012

### 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 *	1,956 #	6,052
1.2 Payments for (a) exploration & evaluation	(225)	(1,028)
(b) development	-	-
(c) production	-	-
(d) administration	(253)	(797)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	213	658
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(266)	(853)
1.7 Other (provide details if material)	5	(25)
<b>Net Operating Cash Flows</b>	<b>1,430</b>	<b>4,007</b>
<b>Cash flows related to investing activities</b>		
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	1,793 (1)	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)
<b>Net investing cash flows</b>	<b>1,793</b>	<b>1,689</b>
1.13 Total operating and investing cash flows (carried forward)	<b>3,223</b>	<b>5,696</b>

\* Royalties received.

# Item includes gold received directly as royalty income valued at \$1.663 million on date of receipt.

(1) Includes sale of gold on hand of \$1.693million.

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	3,223	5,696
	<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)	(2,108)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(1,054)	(2,108)
	<b>Net increase (decrease) in cash held</b>	2,169	3,588
1.20	Cash at beginning of quarter/year to date	15,082	13,663
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	17,251	15,082

\* 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	174
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.*

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
<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	1,860	207
5.2 Deposits at call	13,945	11,802
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank term deposits	1,446	3,073
<b>Total: cash at end of quarter</b> (item 1.22)	<b>17,251</b>	<b>15,082</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	EL0963 EL0962	Republic of Uganda Exploration Licences	Nil Nil
				100% 100%

+ See chapter 19 for defined terms.

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

**Issued and quoted securities at end of current quarter**

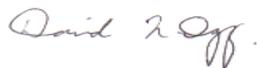
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	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	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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.



Sign here: ..... Date: 30 April, 2012  
(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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