

## March 2007 Quarterly Report

**23rd April 2007**

### Corporate Details

ASX Code: RCO

Issued Capital:

56,411,200 Shares

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

Share Price: 85c

Market Capitalisation:  
\$47.9 million

Cash Balance: \$9.4 mill

#### Major Shareholders:

Oxiana Ltd	17.7%
Directors	14.9%
Gasmere	7.4%
Riomin Gold	6.4%
Colonial First State	6.9%

#### Directors:

Peter Topham – Executive Chairman

David Ogg – Executive Director

Peter Lester

Tom Eadie

Adam Boyd

### Highlights

Royalco's main exploration plays will come into focus during the coming months following recent support from the Indigenous Peoples for the **Pao** tenement in the Philippines.

**Gambang**, Royalco's other main target area, should benefit from recent changes to NCIP guidelines for "free and informed prior consent" and it too should be cleared towards the end of this quarter.

Geochemical sampling has also been conducted during the quarter at **Surigao** and **Malangza** which will see these tenements drill ready in the next few months.

Farm- in obligations at **Samay** were completed during the quarter.

*An intense diamond drilling campaign is scheduled to commence in the current quarter with up to four rigs active on three separate prospects by the end of this calendar year. Target mineralization in each tenement area is copper/gold porphyries coupled with epithermal gold potential- particularly at **Pao** and **Gambang**,*

*Royalco's cash position remains strong (\$9.4 million cash on deposit) with substantial royalty income set to accrue commencing in the fourth quarter.*

### Philippine Exploration

(i) In January, diamond drilling was completed on the **Samay** farm - in area with Phelps Dodge. Three diamond holes were completed (approximately 1200 metres) without encountering any mineralization of significance.

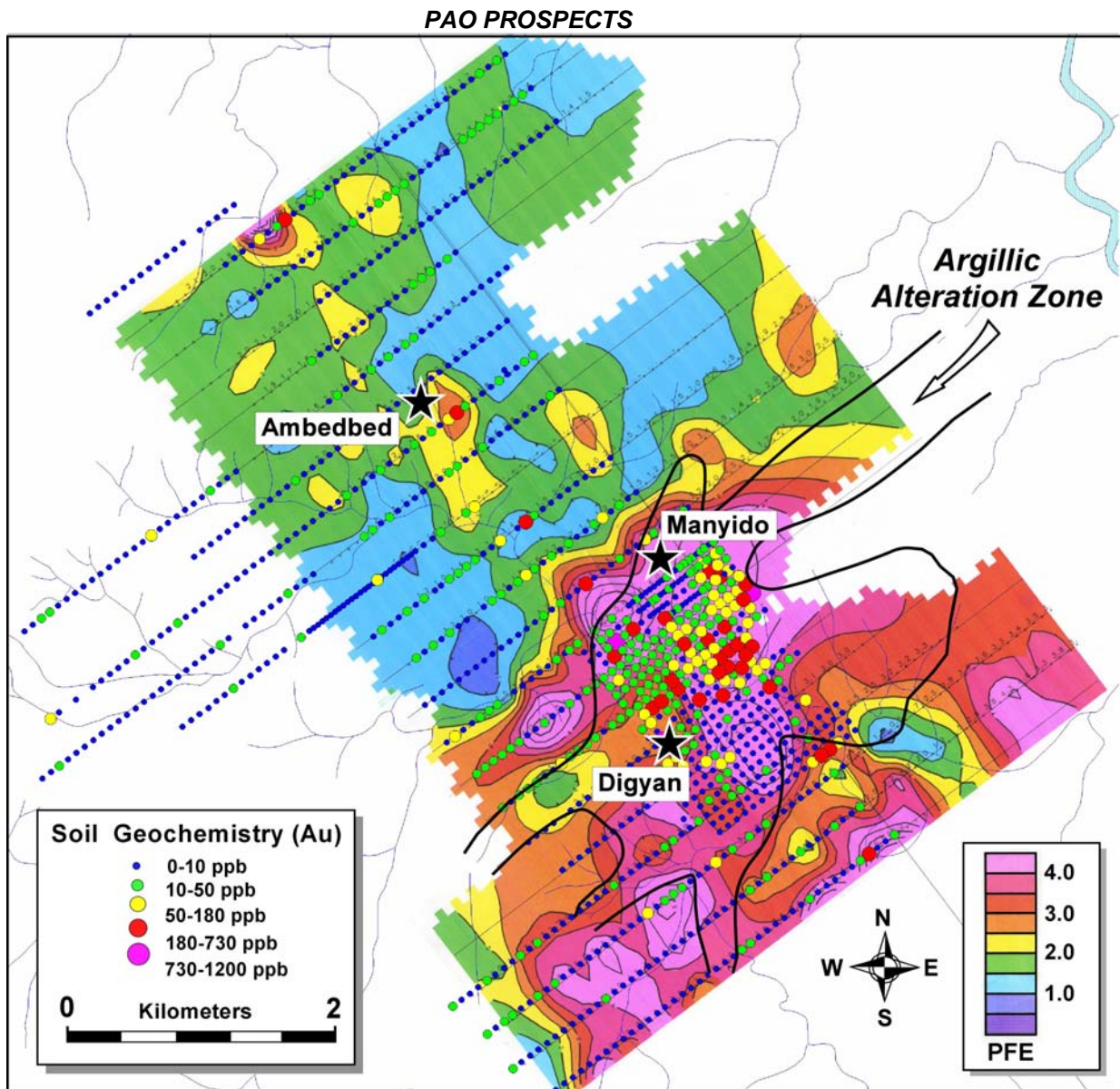
Whilst it is unlikely Royalco will proceed any further with the farm - in obligations, the overall exercise provided appropriate co-ordinated drilling experience to the exploration teams and implemented staff reporting procedures to a requisite standard at minimal cost.

Discussions have now been initiated with Phelps Dodge on other areas of mutual interest.

(ii) One of Royalco's two principal tenements, **Pao**, has now received Indigenous Peoples support with final approval for National Commission on Indigenous Peoples, ("NCIP"), certification due in early May. No difficulties are foreseen with this process.

Roadworks to the site have been completed and development of a suitable exploration camp for what is anticipated to be a two year drilling programme on numerous epithermal gold, and porphyry copper targets within the district is underway.

Initial drilling will focus on the Manidyo prospect for both copper porphyry and epithermal gold veins. A sample of a vein in this area recorded 49.42 g/t Au, 348 g/t Ag and 3.94% Cu.

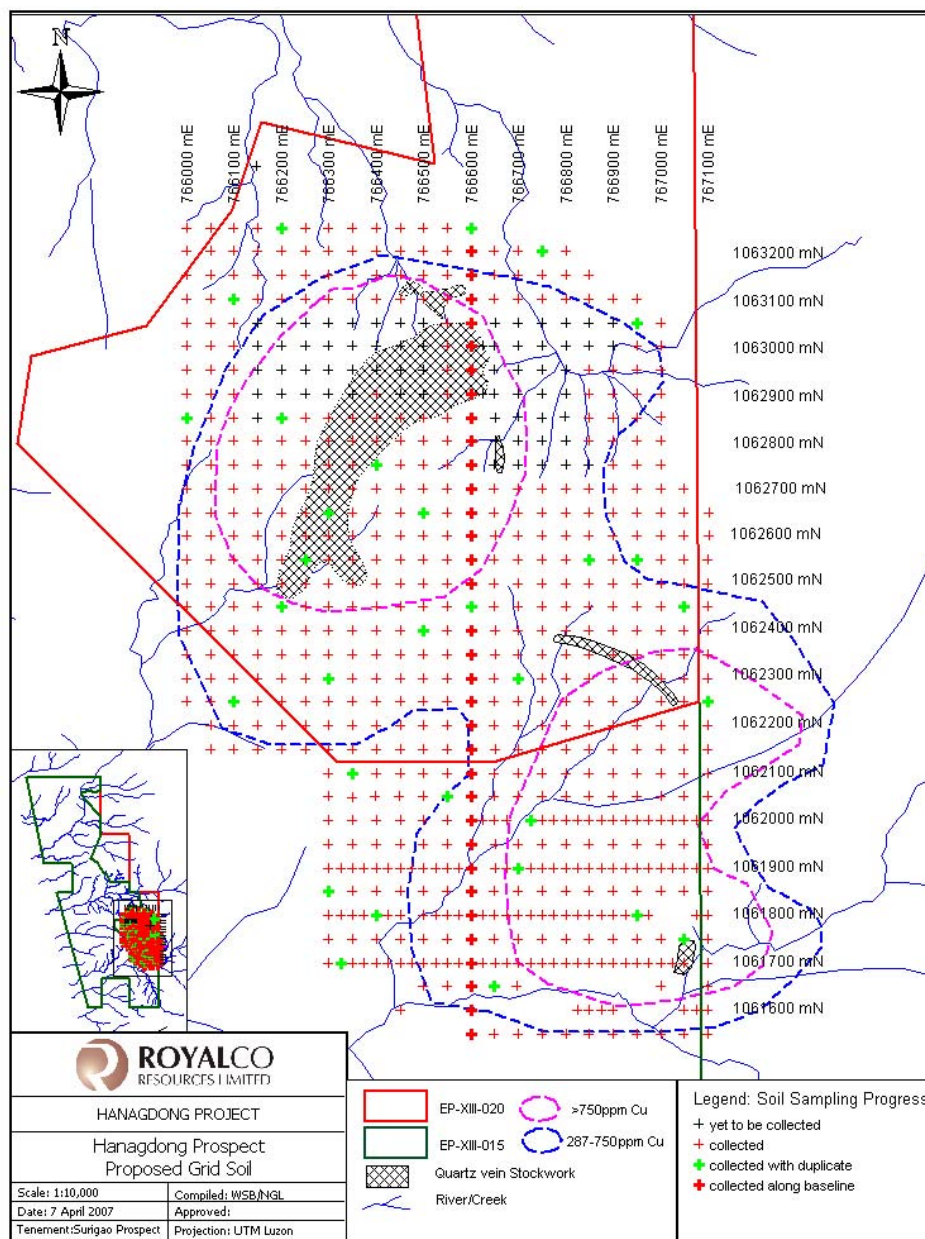


Contours of Percent Frequency Effect (PFE) from an IP survey over the Digyan-Manidyo-Ahmedbed prospect areas and results of grid-based soil sampling over the same region.

(iii) A revised application has been lodged on the **Gambang** tenement to comply with recent amendments to NCIP guidelines.

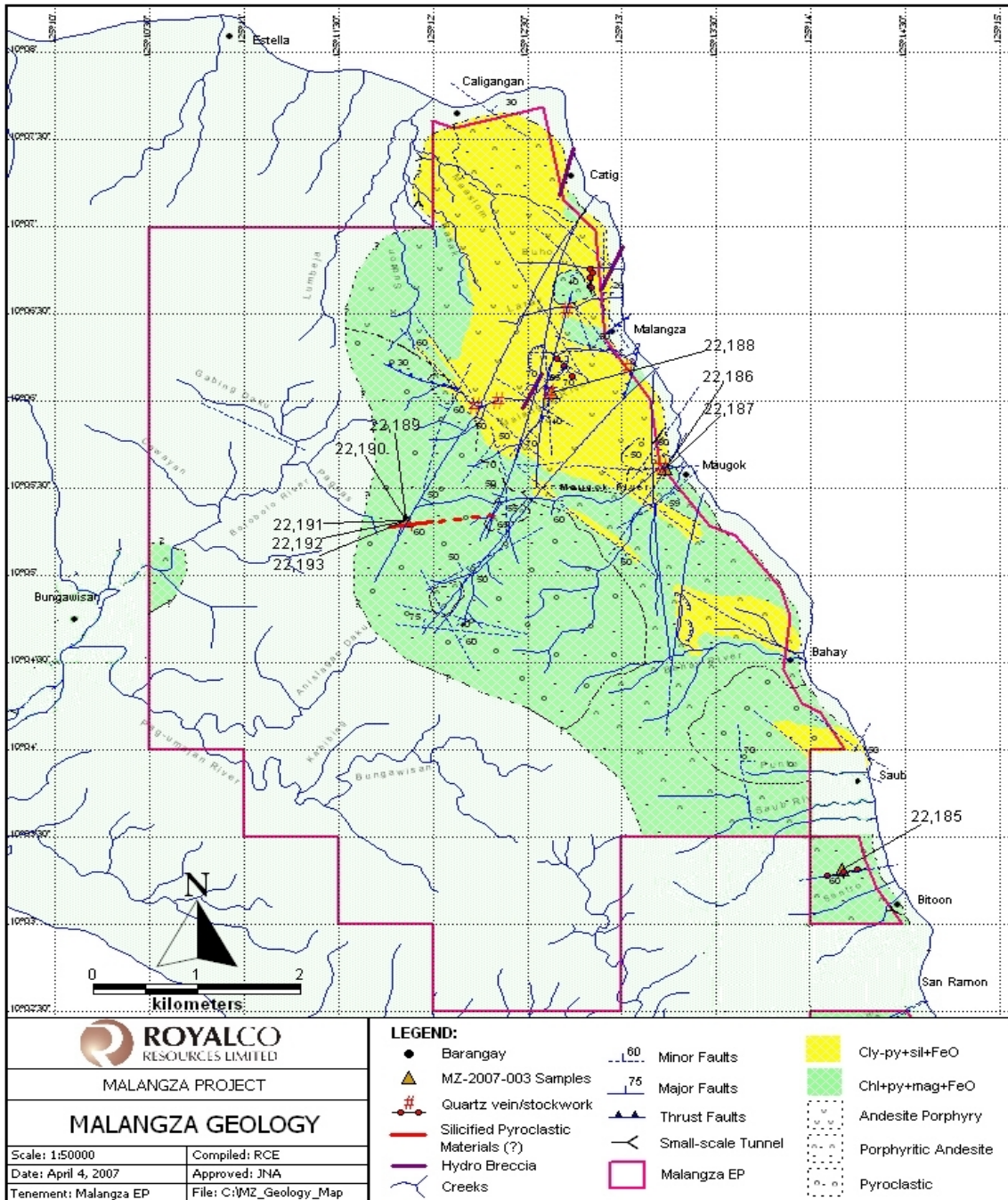
Final clearances are anticipated this quarter with drilling to start in the following quarter.

(iv) Extensive geochemical sampling is being completed at **Surigao** on the Hanagdong prospect – an advanced porphyry copper target. A short drilling campaign will start prior to drilling at **Gambang**.



### SURIGAO/MALIMONO SOIL SAMPLING

At **Malangza**, rock chip sampling has commenced and will shortly be followed by systematic soil sampling. Subject to rig availability, the initial drilling campaign will be undertaken towards the end of the year.



- (v) The *Dimikawal* farm-in interest has been converted to an unsecured loan (approx US\$750,000) in the joint venture vehicle (Wealth Minerals Inc). This action follows a recent review which suggested limited potential for the project area based on Royalco's corporate requirements.

- (vi) Confidentiality arrangements concerning farm - in opportunities have been entered into on two separate tenement packages. Due diligence is progressing in both instances.

## Royalties

- (i) Confirmation is awaited from the operator of the Reefton Royalty Interest Area, Oceana Gold Limited, (ASX:OGD) that production has actually commenced. There is an effective six month holiday on royalty payments post production start up before royalties accrue.

On current gold prices Royalco's royalty entitlement equates to 5,000 ounces per annum.

- (ii) Royalties at both Mt Kelly (CopperCo is operator – ASX:CUO) and Mt Garnet (Kagara Zinc is operator – ASX:KZL) are also subject to royalty holidays. In each instance approx 11,000t of contained metal has to be recovered prior to the royalties becoming payable.

According to CopperCo ASX releases, Mt Kelly is due for commissioning in the middle of the year and based on comments as to plant capacity, and actual pit locations, could be generating income in the second half of 2008. The royalty at Mt Kelly is a 1% Net Smelter Return, capped at \$619,000 in total on two separate royalty areas.

At Mt Garnet there is a 3% NSR on the original deposit. Kagara has not confirmed a recommencement timetable at Mt Garnet though various presentations imply such activity would be undertaken before the end of 2008.

- (iii) No activity of significance has been reported to date on Royalco's other royalty interests.

Other royalty interests remain under review and negotiations will be progressed when appropriate.

## Corporate

Cash on deposit at the end of the quarter was \$9.4 million.



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 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")

March 2007

### 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	-	-
1.2 Payments for (a) exploration and evaluation	(128)	(880)
(b) development	-	-
(c) production	-	-
(d) administration	(175)	(737)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	135	448
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	12	6
<b>Net Operating Cash Flows</b>	<b>(156)</b>	<b>(1163)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	(68)
(b)equity investments	(32)	(47)
(c) other fixed assets	-	(36)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	14	43
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(18)</b>	<b>(108)</b>
1.13 Total operating and investing cash flows (carried forward)	(174)	(1271)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(174)	(1271)
<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	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	0	0
<b>Net increase (decrease) in cash held</b>			
		(174)	(1271)
1.20	Cash at beginning of quarter/year to date	9592	10689
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	9418	9418

**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	104
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

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	800
4.2 Development	-
<b>Total</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		
5.2 Deposits at call	1418	1592
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank Term Deposits	8000	8000
<b>Total: cash at end of quarter</b> (item 1.22)	9418	9592

### 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.*

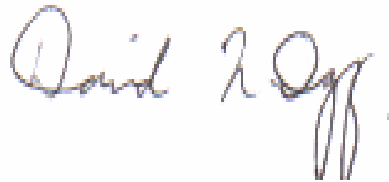
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	56,411,200	37,172,444		
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>	2950,000 510,000	- -	Exercise price 50 cents 52 cents	Expiry date 31st Mar 2011 31st Mar 2011
7.8 Issued during quarter		-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 24<sup>th</sup> April 2007  
(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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