

June 2008 Quarterly Report

21st July 2008

Corporate Details

ASX Code: RCO

Issued Capital:

53,111,200 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: 40c

Market Capitalisation: \$21.2 million

Cash Balance: \$5.8 million

Gold Balance: 1062.5 ounces

Major Shareholders:

Oxiana	18.7%
Directors	14.9%
Anglo Pacific	9.3%
Riomin Gold	6.8%

Directors:

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

Highlights

Royalty Interests

Royalty income from Reefton has commenced. Legal action is still proceeding to recover potential royalties from earlier periods.

CopperCo's Mt Kelly development continues to ramp up and the royalty could commence generating revenue later this calendar year.

Subject to final mine scheduling the Mt Garnet royalty should commence by early 2009.

Exploration Programs

*Drilling has commenced at **Gambang** following recent approvals.*

*Structural drilling at **Malangza** has also commenced.*

***Pao** drilling discontinued in the short term following safety issues in the broader region.*

Royalco's cash position remains strong - \$5.8 million cash on deposit, a further \$300,000 in listed investments, 1062.5 ounces of gold on deposit and substantial royalty income now being received.

Royalties

Under the **Reefton Gold Project** royalty agreement a payment of 1062.5 ounces of gold was received from Oceana Gold (New Zealand) Limited for the period 1st March 2008 to 31st May 2008. Legal action is still proceeding to recover royalties for the five month period from 1st October 2007 to 29th February 2008. This claim has been scheduled for hearing in the High Court of New Zealand in the first quarter 2009.

It is envisaged that royalty payments will continue in the meantime which, on an annualised basis, represents 5,000 ounces of gold less withholding tax at 15 per cent. At prevailing prices this equates to over \$4 million per annum in royalty income.

As previously advised, the production holidays prior to the commencement of royalty payments from both Mt Kelly and Mt Garnet are coming to an end and, subject to mine scheduling, royalty payments should commence in late 2008 or early 2009.

The royalty at **Mt Kelly** is a 1% Net Smelter Return, capped at \$619,000 each on two separate royalty areas.

At **Mt Garnet** there is a 3% Net Smelter Return on production from the original Mt Garnet tenements. Recent exploration success by Kagara Limited at this site should add to the potential mine life of the project with an updated resource estimate due later this year.

Philippines Exploration

(i) Gambang

The Mines & Geosciences Bureau continues to process Royalco's Request for Partial Approvals within the Gambang EP. The first sub region, out of a total of seven, has now received approval including the Herman's Find Prospect. Indigenous peoples' consent has been obtained in the second sub region which includes the Manga Prospect. This is currently being processed by the NCIP Central Office for approval by the MGB.

Phase 3 consultations on the Cableway Prospect have now commenced.



First drill hole at Gambang

(ii) **Pao**

Three diamond drill holes have now been completed over a low priority soil/geophysical anomaly without encountering any significant mineralization.

At the base of the second hole in the program a minor occurrence of native copper was identified. A third hole was designed to test this result at depth but did not intersect any significant copper mineralization.

To the north of the tenement, near the Didipio Project, a shooting incident occurred took place in May. It was deemed prudent to cease drilling activities on this tenement until matters are clarified. Protest barricades manned by various NGOs, (Non Government Organisations), and in part sponsored by the Catholic Church, are still evident but are of a lesser concern.

The main targets at the Digyan and Manidyo Prospects are still to be drill tested.

Pro mining supporters at Pao.



(iii) **Malangza**

Structural drilling is commencing at Malangza following the issuing of all regulatory approvals and camp construction. A four hole programme totalling approximately 1000 metres is anticipated to be completed during this current quarter.



Site of the first drill pad at Malangza.

(iv) **Surigao.**

Test pitting and soil sampling to consider the nickel laterite potential was unsuccessful and the tenement will either be farmed out or relinquished.

Corporate

Cash on deposit at the end of the quarter was \$5.8 million. Listed investments had a combined market value at 30th June 2008 of approximately \$300,000.

During the quarter the Company undertook a 'buy-back' of 3.3 million shares at 26.5 cents. This action was precipitated by the unwarranted share market action involving the ANZ Banking Group on an Opes Prime margin lending facility held by one of our former substantial shareholders.

Such action is consistent with Royalco's longer term attitude towards prudent capital management.



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 2008

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	-	-
1.2 Payments for (a) exploration and evaluation	(514)	(1,581)
(b) development	-	-
(c) production	-	-
(d) administration	(231)	(928)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	113	473
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(15)	(159)
	(647)	(2,195)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(88)	(296)
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	176
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(88)	(120)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(735)	(2,315)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(735)	(2,315)
	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)*	(875)	(875)
	Net financing cash flows	(875)	(875)
	Net increase (decrease) in cash held	(1,610)	(3,190)
1.20	Cash at beginning of quarter/year to date	7,461	9,041
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,851	5,851

* RCO purchased 3,300,000 shares at 26.5 cents per share as per buy back announced 22 April 2008.

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	143
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	700
4.2 Development	-
Total	

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	934	561
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank Term Deposits	4,917	6,900
Total: cash at end of quarter (item 1.22)	5,851	7,461

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

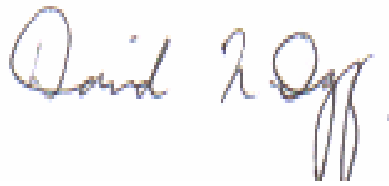
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	53,111,200	53,111,200		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- 3,300,000	9,238,756 3,300,000	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 Options <i>(description and conversion factor)</i>	2950,000 510,000 150,000	- - -	Exercise price 50 cents 52 cents 80 cents	Expiry date 31st Mar 2011 31st Mar 2011 31st Mar 2011
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.



Sign here: Date: 21 July 2008
(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.
- 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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