

September 2009 Quarterly Report

27th October 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: 42 cents

Market Capitalisation: \$22.1 million

Cash Balance: \$6.8 million

Gold Balance: 3,350.7 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

Chris Orchard- Non executive Director

HIGHLIGHTS

Royalco continues to receive significant royalty income.

Physical gold (1116.9 ounces) continues to be received into the Company's account from the Reefton gold project in New Zealand. In addition, a record cash payment for a quarterly period was received from Mt Garnet.

Several royalty opportunities over a range of commodities are being pursued from three separate vendors.

Royalty Valuations.

On the 9th September, a valuation report prepared by DMR Corporate was released to the Australian Stock Exchange.

The report gave a range of values between \$15.88 million and \$16.96 million for Royalco's key royalty interests.

Royalco's cash position remains strong. - \$6.8 million cash on deposit, 3,350.7 ounces of gold currently held and substantial royalty income being received. At prevailing spot gold prices, the overall cash/liquids position is approximately \$10.6 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 two produced income during the quarter. Using prevailing spot prices for gold, income for the quarter from these interests was \$1.43 million.

DMR Corporate Pty Ltd completed a valuation of Royalco's key royalty interests in September. The range of valuations was \$15.88 million to \$16.96 million based on appropriate commodity price assumptions and after tax discount rates.

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 the royalty payment will continue at the rate of 1116.9 ounces for the December quarter subject to the spot price remaining above NZ\$900 (currently NZ\$1600+). At prevailing prices and exchange rates this equates to approximately \$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 \$116,985 was received during the quarter. A further \$176,000 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. Total royalties paid to date are less than \$400,000.

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 in a trade sale or via IPO. No indication can be provided as to when operations may resume.

The royalty interest on the ***Dagworth & Huonfels*** tenements, (where the operator is a privately owned German group, Deutsche Rohstoff Australia Pty Ltd), is being advanced with a view to production commencing early 2010. (see www.rohstoff.de).

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.

The majority of management time is currently being spent on evaluating several royalty situations in the precious metals, base metals and energy sectors. Confidentiality Agreements have been executed on some of these opportunities.

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.

Community support programs, (including road rehabilitation, educational supplements, employment and medical missions), have been ongoing.

Resumption of exploration, and more particularly drilling at Manidyo, is envisaged to start shortly. The presence of a tropical depression and two typhoons in the past month have had minimal impact in the timing of commencing more detailed exploration.

The ***Yabbe*** tenement application has now achieved FPIC approval. The next stage is approval by the relevant regional director of the Mines & Geosciences Bureau. Such approval is expected shortly.

An informal joint venture with the Bugkalot indigenous community over possible exploration in their ancestral domain is progressing at a slower rate whilst executive activities are focussed on ***Pao*** and ***Yabbe*** in the immediate term. 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), have now been approved by the NCIP and awaiting final confirmation by the MGB.

A significant level of interest has been received from a number of international mining groups to farm into this tenement. The extent of this interest will be quantified during November as final due diligence reviews are being completed by each party involved.

Corporate

Mr Chris Orchard, a qualified mining engineer, was appointed to the Board as a representative of Anglo Pacific Group PLC-one of Royalco's major shareholders.

A handwritten signature in blue ink, appearing to read 'P. J. Topham', with a long horizontal line extending to the right.

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")

September 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors *	159	159
1.2 Payments for		
(a) exploration and evaluation	(222)	(222)
(b) development	-	-
(c) production	-	-
(d) administration	(236)	(236)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	53	53
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(18)	(18)
	(264)	(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	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(264)	264)

* Royalties received

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(264)	(264)
	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)*	-	-
	Net financing cash flows	(264)	(264)
	Net increase (decrease) in cash held	(264)	(264)
1.20	Cash at beginning of quarter/year to date	7,061	7,061
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,797	6,797

* 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	119
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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+ 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	325
4.2 Development	-
Total	325

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	2,719	1,366
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank Term Deposits	4,078	4,717
Total: cash at end of quarter (item 1.22)	6,797	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.

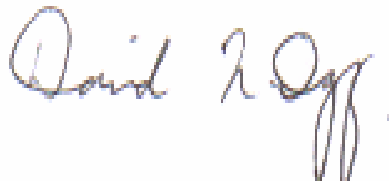
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	-	-		
Preference securities <i>(description)</i>				
7.2				
Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
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				
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
<i>(description and conversion factor)</i>				
	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.



27 October 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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