

Royalco Resources Limited

ABN 53 096 321 532

Half-year Financial Report - 31 December 2017

Royalco Resources Limited
Corporate directory
31 December 2017

Directors	Ms Susan Thomas (Non-Executive Chair) Mr Malcolm McComas (Non-Executive Director) Ms Geoffrey Barker (Non-Executive Director)
Company secretary	Mr Justin Clyne
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia 6153
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Bankers	National Australia Bank 255 George Street, Sydney NSW 2000 Commonwealth Bank of Australia 367 Collins Street, Melbourne Victoria 3000
Stock exchange listing	Royalco Resources Limited shares are listed on the Australian Securities Exchange (ASX code: RCO)
Website	www.royalco.com.au

Royalco Resources Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2017.

Directors

The following persons were directors of the company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ms Susan Thomas (Non-Executive Director - appointed Non-Executive Chair 8 September 2017)
Mr Malcolm McComas (Non-Executive Director)
Mr Geoff Barker (Non-Executive Director - appointed 8 September 2017)
Mr Peter Topham (Executive Chairman - resigned 8 September 2017)

Principal activities

During the financial half-year the principal continuing activity of the company was management of resource based royalties.

Review of operations

The loss for the company after providing for income tax amounted to \$227,650 (31 December 2016: \$445,915).

Significant changes in the state of affairs

During the financial half-year Peter Topham ceased to be an executive director and the board was restructured at a significant cost saving to the company.

There were no other significant changes in the state of affairs of the company during the financial half-year.

Matters subsequent to the end of the financial half-year

Subsequent to 31 December 2017, the Board has resolved to commence a sale process of the company's one per cent interest in the Weeks Royalty, and has appointed advisors to assist the company with the proposed sale.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Auditor's independence declaration

Deloitte Touche Tohmatsu were appointed as auditor of the company under section 329 (e) of the Corporations Act 2001 on 12 January 2018.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Susan Thomas
Non-Executive Chair

16 March 2018
Sydney

16 March 2018

The Board of Directors
Royalco Resources Ltd
GPO Box 4626
Sydney NSW 2001

Dear Board Members

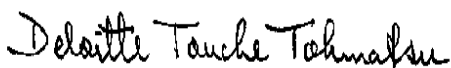
Royalco Resources Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Royalco Resources Limited.

As lead audit partner for the review of the financial statements of Royalco Resources Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

Royalco Resources Limited
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31 December 2017

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General information

The financial statements cover Royalco Resources Limited (Royalco) as an individual entity. The financial statements are presented in Australian dollars, which is Royalco's functional and presentation currency.

Royalco is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.02, Level 6
28 O'Connell Street
Sydney NSW 2000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 March 2018. The directors have the power to amend and reissue the financial statements.

Royalco Resources Limited
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	December 2017 \$	December 2016 \$
Revenue	3	436,601	323,857
Expenses			
Administration expenses		(384,471)	(279,401)
Employee benefits expense		(50,525)	(238,688)
Depreciation and amortisation expense		-	(2,275)
Exploration expenditure written off		-	(19,000)
Amortisation of royalty rights		(212,500)	(212,500)
Other expenses		(16,755)	(17,908)
Loss before income tax expense		(227,650)	(445,915)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Royalco Resources Limited		(227,650)	(445,915)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Royalco Resources Limited		<u>(227,650)</u>	<u>(445,915)</u>
		Cents	Cents
Basic loss per share	10	(0.43)	(0.85)
Diluted loss per share	10	(0.43)	(0.85)

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Royalco Resources Limited
Condensed statement of financial position
As at 31 December 2017

	Note	December 2017 \$	June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		2,165,699	2,584,650
Trade and other receivables		255,688	151,223
Other		6,813	5,417
Total current assets		<u>2,428,200</u>	<u>2,741,290</u>
Non-current assets			
Intangibles	4	6,540,372	6,752,872
Other		5,417	-
Total non-current assets		<u>6,545,789</u>	<u>6,752,872</u>
Total assets		<u>8,973,989</u>	<u>9,494,162</u>
Liabilities			
Current liabilities			
Trade and other payables		29,162	18,510
Employee benefits	5	-	392,525
Provisions	6	46,343	-
Total current liabilities		<u>75,505</u>	<u>411,035</u>
Non-current liabilities			
Security deposit		8,250	-
Provisions	7	34,757	-
Total non-current liabilities		<u>43,007</u>	<u>-</u>
Total liabilities		<u>118,512</u>	<u>411,035</u>
Net assets		<u>8,855,477</u>	<u>9,083,127</u>
Equity			
Issued capital		12,321,611	12,321,611
Accumulated losses		<u>(3,466,134)</u>	<u>(3,238,484)</u>
Total equity		<u>8,855,477</u>	<u>9,083,127</u>

The above condensed statement of financial position should be read in conjunction with the accompanying notes

Royalco Resources Limited
Condensed statement of changes in equity
For the half-year ended 31 December 2017

	Contributed equity \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	12,321,611	(2,151,175)	10,170,436
Loss after income tax expense for the half-year	-	(445,915)	(445,915)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(445,915)	(445,915)
<i>Transactions with owners in their capacity as owners:</i>			
Dividends paid (note 8)	-	(263,571)	(263,571)
Balance at 31 December 2016	<u>12,321,611</u>	<u>(2,860,661)</u>	<u>9,460,950</u>
	Contributed equity \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	12,321,611	(3,238,484)	9,083,127
Loss after income tax expense for the half-year	-	(227,650)	(227,650)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(227,650)	(227,650)
Balance at 31 December 2017	<u>12,321,611</u>	<u>(3,466,134)</u>	<u>8,855,477</u>

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes

Royalco Resources Limited
Condensed statement of cash flows
For the half-year ended 31 December 2017

	Note	December 2017 \$	December 2016 \$
Cash flows from operating activities			
Interest received		29,608	40,490
Royalty received		317,068	379,226
Other receipts		10,185	-
Payments to suppliers and employees (inclusive of GST)		<u>(775,812)</u>	<u>(589,526)</u>
Net cash used in operating activities		<u>(418,951)</u>	<u>(169,810)</u>
Cash flows from investing activities			
Payments for investments		<u>-</u>	<u>(18,272)</u>
Net cash used in investing activities		<u>-</u>	<u>(18,272)</u>
Cash flows from financing activities			
Dividends paid	8	<u>-</u>	<u>(263,571)</u>
Net cash used in financing activities		<u>-</u>	<u>(263,571)</u>
Net decrease in cash and cash equivalents		(418,951)	(451,653)
Cash and cash equivalents at the beginning of the financial half-year		<u>2,584,650</u>	<u>3,085,378</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>2,165,699</u></u>	<u><u>2,633,725</u></u>

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

Royalco Resources Limited
Notes to the condensed financial statements
31 December 2017

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

The company is organised into one operating segment: management of resource based royalties. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 3. Revenue

	December 2017	December 2016
	\$	\$
<i>Sales revenue</i>		
Royalty	397,515	287,130
<i>Other revenue</i>		
Interest	25,986	36,727
Other revenue	13,100	-
	<u>39,086</u>	<u>36,727</u>
Revenue	<u><u>436,601</u></u>	<u><u>323,857</u></u>

Note 4. Non-current assets - intangibles

	December 2017	June 2017
	\$	\$
Royalty rights - at cost	8,819,738	8,819,738
Less: Accumulated amortisation	(2,279,366)	(2,066,866)
	<u><u>6,540,372</u></u>	<u><u>6,752,872</u></u>

Royalco Resources Limited
Notes to the condensed financial statements
31 December 2017

Note 4. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Royalty rights \$	Total \$
Balance at 1 July 2017	6,752,872	6,752,872
Amortisation expense	(212,500)	(212,500)
	<u>6,540,372</u>	<u>6,540,372</u>

Note 5. Current liabilities - employee benefits

	December 2017 \$	June 2017 \$
Annual leave	-	165,927
Long service leave	-	84,614
Redundancy	-	141,984
	<u>-</u>	<u>392,525</u>

All employee entitlements have been paid out in full during the current period.

Note 6. Current liabilities - provisions

	December 2017 \$	June 2017 \$
Onerous lease	<u>46,343</u>	<u>-</u>

Note 7. Non-current liabilities - provisions

	December 2017 \$	June 2017 \$
Onerous lease	<u>34,757</u>	<u>-</u>

Note 8. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Royalco Resources Limited
Notes to the condensed financial statements
31 December 2017

Note 9. Events after the reporting period

Subsequent to 31 December 2017, the Board has resolved to commence a sale process of the company's one per cent interest in the Weeks Royalty, and has appointed advisors to assist the company with the proposed sale.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 10. Loss per share

	December 2017	December 2016
	\$	\$
Loss after income tax attributable to the owners of Royalco Resources Limited	<u>(227,650)</u>	<u>(445,915)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>52,714,183</u>	<u>52,714,183</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>52,714,183</u>	<u>52,714,183</u>
	Cents	Cents
Basic loss per share	(0.43)	(0.85)
Diluted loss per share	(0.43)	(0.85)

Royalco Resources Limited
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Susan Thomas
Non-Executive Chair

16 March 2018
Sydney

Independent Auditor's Review Report to the Members of Royalco Resources Limited

We have reviewed the accompanying half-year financial report of Royalco Resources Limited (the "Company"), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 4 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Royalco Resources Limited's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Royalco Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Royalco Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Royalco Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 16 March 2018