

Royalco Resources Limited

ABN 53 096 321 532

Half-year Financial Report - 31 December 2015

Royalco Resources Limited
Corporate directory
31 December 2015

Directors	Mr Peter Topham (Executive Chairman) Mr David Ogg (Non-Executive Director) Mr Piers Reynolds (Non-Executive Director) Mr Bruce Pertzelt (Non-Executive Director) Mr Malcolm McComas (Non-Executive Director)
Company secretary	Mr Nick Boicos
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia 6133
Auditor	John Wheller FCA 1190 Dandenong Road Murrumbeena 3163 VIC
Bankers	ANZ Banking Group 388 Collins Street, Melbourne Victoria 3000 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
Chairman's address
31 December 2015

Royalco Resources Limited recorded a loss of \$313,587 on revenue of \$476,678 for the six months period ending 31st December 2015.

Royalty Interests

Royalty income for the six month period was sourced from the interest held in the **Weeks Petroleum Royalty** (hydrocarbons) and the **Mt Garnet Royalty** (zinc and copper).

Production from the Bass Strait fields covered by the Weeks Petroleum Royalty continue to generate mixed results with rising East Coast gas prices being offset by ongoing industrial action which continues to restrict oil production coupled with the decline in petroleum prices through the period.

The Mt Garnet plant transitioned to sole production from the Mt Garnet deposit in the second half of the year. The outlook for this interest remains positive in the short term despite lower zinc and copper prices.

No announcements of note have been made as yet by OceanaGold Limited, the operator of the **Blackwater Gold** project in New Zealand. Any advancement to production on this project will have a material impact on Royalco revenues in the future.

A similar scenario applies to the **Bowden's** royalty interest in New South Wales where the project operator, Kingsgate Consolidated Limited, has recently announce the sale of 85 per cent of the project to a private consortium.

Exploration

Exploration opportunities in fresh jurisdictions continue to be considered.

Corporate

The distribution of fully franked dividends (0.5 cents per share), continued through the period.

In a period of volatile commodity market prices Royalco remains somewhat unique in the junior resources sector in the payment of such dividends however we stress our ability to do so going forward may be limited to the extent of royalty income received in this difficult environment.

As part of the Royalco 2015 Annual General Meeting, shareholders dealt with a number of resolutions relating to a Section 249D Notice served on the company by High Peak Royalties Limited – a substantial shareholder in the company and also a competitor in the natural resources royalty sector in which Royalco operates.

These resolutions were comprehensively defeated, both in terms of total votes and actual number of shareholders entitled to vote.

The Royalco Board of Directors wishes to thank shareholders for their support through this unwarranted process.

The highly experienced team at Royalco Resources Limited continues to review opportunities to enhance shareholder value by various means, including equity participations, in a judicious manner.



Peter Topham

Royalco Resources Limited
Directors' report
31 December 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Royalco Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

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

Mr Peter Topham (Executive Chairman)
Mr David Ogg (Non Executive Director)
Mr Bruce Pertzelt (Non Executive Director)
Mr Piers Reynolds (Non Executive Director)
Mr Malcolm McComas (Non-Executive Director - appointed 1 January 2016)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- management of resource based royalties

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$313,587 (31 December 2014: \$312,621).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 3rd March 2016, the company announced a dividend of 0.5 cents per share payable on 22 March 2016.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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



P J Topham
Executive Chairman

10 March 2016
Melbourne



JOHN WHELLER, F.C.A.
CHARTERED ACCOUNTANT

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Royalco Resources Limited:

I declare that to the best of my knowledge and belief, in relation to the Independent Half-year Auditor's Review for the half-year ending 31 December 2015, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review

JOHN WHELLER.
Registered Company Auditor
Registration 9003
10 March 2016

Registered Company Auditor No.9003

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Liability limited by a scheme under Professional Standards Legislation

Royalco Resources Limited

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31 December 2015

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General information

The financial statements cover Royalco Resources Limited as a consolidated entity consisting of Royalco Resources Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Royalco Resources Limited's functional and presentation currency.

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

Level 1
394-396 Little Bourke Street
Melbourne
Victoria 3000

A description of the nature of the consolidated entity'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 10 March 2016. The directors have the power to amend and reissue the financial statements.

Royalco Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated Dec 15 \$	Dec 14 \$
Revenue	3	476,678	469,216
Expenses			
Administration expenses		(244,020)	(222,487)
Employee benefits expense		(240,760)	(266,923)
Depreciation and amortisation expense		(1,825)	(1,278)
Exploration expenditure written off		(43,184)	(41,728)
Amortisation of royalty rights		(212,500)	(212,500)
Other expenses		(47,976)	(36,921)
Loss before income tax expense		(313,587)	(312,621)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Royalco Resources Limited		(313,587)	(312,621)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	79,199
Other comprehensive income for the half-year, net of tax		-	79,199
Total comprehensive income for the half-year attributable to the owners of Royalco Resources Limited		(313,587)	(233,422)
		Cents	Cents
Basic earnings per share		(0.59)	(0.59)
Diluted earnings per share		(0.59)	(0.59)

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

Royalco Resources Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated Dec 15 \$	Jun 15 \$
Assets			
Current assets			
Cash and cash equivalents		3,384,025	3,789,712
Trade and other receivables	4	293,876	284,816
Total current assets		<u>3,677,901</u>	<u>4,074,528</u>
Non-current assets			
Property, plant and equipment		8,533	10,359
Intangibles	5	7,390,372	7,602,872
Other financial assets		56,000	12,800
Other		5,417	5,417
Total non-current assets		<u>7,460,322</u>	<u>7,631,448</u>
Total assets		<u>11,138,223</u>	<u>11,705,976</u>
Liabilities			
Current liabilities			
Trade and other payables		16,711	31,211
Employee benefits		243,706	220,426
Total current liabilities		<u>260,417</u>	<u>251,637</u>
Non-current liabilities			
Employee benefits		5,200	4,575
Total non-current liabilities		<u>5,200</u>	<u>4,575</u>
Total liabilities		<u>265,617</u>	<u>256,212</u>
Net assets		<u>10,872,606</u>	<u>11,449,764</u>
Equity			
Issued capital		12,321,611	12,321,611
Accumulated losses		(1,449,005)	(871,847)
Total equity		<u>10,872,606</u>	<u>11,449,764</u>

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

Royalco Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Contributed equity \$	Retained profits \$	Reserves \$	Total equity \$
Balance at 1 July 2014	12,321,611	1,078,763	(71,147)	13,329,227
Loss after income tax expense for the half-year	-	(312,621)	-	(312,621)
Other comprehensive income for the half-year, net of tax	-	-	79,199	79,199
Total comprehensive income for the half-year	-	(312,621)	79,199	(233,422)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 6)	-	(527,142)	-	(527,142)
Balance at 31 December 2014	<u>12,321,611</u>	<u>239,000</u>	<u>8,052</u>	<u>12,568,663</u>
Consolidated		Contributed equity \$	Retained profits \$	Total equity \$
Balance at 1 July 2015		12,321,611	(871,847)	11,449,764
Loss after income tax expense for the half-year		-	(313,587)	(313,587)
Other comprehensive income for the half-year, net of tax		-	-	-
Total comprehensive income for the half-year		-	(313,587)	(313,587)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 6)		-	(263,571)	(263,571)
Balance at 31 December 2015		<u>12,321,611</u>	<u>(1,449,005)</u>	<u>10,872,606</u>

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

Royalco Resources Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated	
		Dec 15	Dec 14
		\$	\$
Cash flows from operating activities			
Payments to suppliers		(566,534)	(683,941)
Interest received		49,526	73,135
Royalty received		410,892	496,952
		<u>(106,116)</u>	<u>(113,854)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for investments		(36,000)	-
		<u>(36,000)</u>	<u>-</u>
Net cash used in investing activities			
Cash flows from financing activities			
Dividends paid	6	(263,571)	(527,142)
		<u>(263,571)</u>	<u>(527,142)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents		(405,687)	(640,996)
Cash and cash equivalents at the beginning of the financial half-year		3,789,712	4,671,803
		<u>3,384,025</u>	<u>4,030,807</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 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 2015 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, revised or amending Accounting Standards and Interpretations adopted

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

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

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity 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

	Consolidated	
	Dec 15	Dec 14
	\$	\$
<i>Sales revenue</i>		
Royalty	421,381	384,674
<i>Other revenue</i>		
Interest	48,097	68,467
Other revenue	7,200	16,075
	<u>55,297</u>	<u>84,542</u>
Revenue	<u>476,678</u>	<u>469,216</u>

Note 4. Current assets - trade and other receivables

	Consolidated	
	Dec 15	Jun 15
	\$	\$
Royalty receivable	286,057	275,568
Interest receivable	7,819	9,248
	<u>293,876</u>	<u>284,816</u>

Royalco Resources Limited
Notes to the financial statements
31 December 2015

Note 5. Non-current assets - intangibles

	Consolidated	
	Dec 15	Jun 15
	\$	\$
Royalty rights - at cost	8,819,738	8,819,738
Less: Accumulated amortisation	<u>(1,429,366)</u>	<u>(1,216,866)</u>
	<u><u>7,390,372</u></u>	<u><u>7,602,872</u></u>

Reconciliations

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

Consolidated	Royalty rights \$	Total \$
Balance at 1 July 2015	7,602,872	7,602,872
Amortisation expense	<u>(212,500)</u>	<u>(212,500)</u>
Balance at 31 December 2015	<u><u>7,390,372</u></u>	<u><u>7,390,372</u></u>

Note 6. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	Dec 15	Dec 14
	\$	\$
Final dividend of 0.5 cents per ordinary, fully franked based on a tax rate of 30% (Dec 14 one cent per ordinary share)	<u>263,571</u>	<u>527,142</u>

Note 7. Contingent liabilities

There were no contingent liabilities in existence at 31 December 2015 and 31 December 2014.

Note 8. Events after the reporting period

On 3rd March 2016, the company announced a dividend of 0.5 cents per share payable on 22 March 2016.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Royalco Resources Limited
Directors' declaration
31 December 2015

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 consolidated entity's financial position as at 31 December 2015 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



P J Topham
Executive Chairman

10 March 2016
Melbourne



JOHN WHELLER, F.C.A.

CHARTERED ACCOUNTANT

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ROYALCO RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Royalco Resources Limited, which comprises the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity, cash flows statement for the half-year ended on that date, selected explanatory notes and the directors' declaration of the company and the entities it controlled at the end of the half-year.

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 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 an Interim 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 matters 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 entity's financial position as at 31 December 2015 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 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 Group's financial position as at 31 December 2015 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*.

JOHN WHELLER
Registered Company Auditor
Registration: 9003
10 March 2016

Registered Company Auditor No.9003

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