

Royalco Resources Limited

ABN 53 096 321 532

Half-year Financial Report - 31 December 2013

Royalco Resources Limited
Corporate directory
31 December 2013

Directors	Mr Peter Topham Mr David Ogg Mr Bruce Pertzelt Mr Piers Reynolds
Company secretary	Mr David Ogg and Mr Nick Boicos
Registered office	Level 1 394-396 Little Bourke Street Melbourne Victoria 3000
Principal place of business	Level 1 394-396 Little Bourke Street Melbourne Victoria 3000
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia 6133
Auditor	Loren Datt Loren Datt Audit Pty Ltd Chartered Accountants Suite 304 22 St Kilda Road St Kilda Victoria 3182
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 2013

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 for the half-year ended 31 December 2013.

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 (Executive Director until 1 January 2014, when he became a Non-Executive Director)
Mr Bruce Pertzell (Non Executive Director)
Mr Piers Reynolds (Non Executive Director)

Principal activities

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

- management of resource based royalties
- exploration of mineral tenements in the Philippines

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,855,773 (31 December 2012: profit of \$1,428,333).

Refer to the separate technical review of operations that follows this Director's report.

Significant changes in the state of affairs

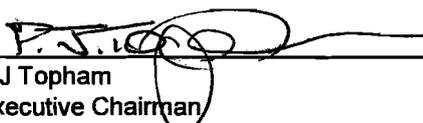
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

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

3 March 2014
Melbourne

Review of Operations - Half Yearly Report Period Ending 31st December 2013

Royalco Resources Limited has recorded a loss of \$2,896,067 on revenue of \$528,694 for the six months period ending 31st December 2013. The major component of the loss, \$2,546,598, related to impairment on exploration projects.

Royalty Interests

Royalty income for the six month period was principally derived from the interest held in the ***Weeks Petroleum Royalty***.

Activities announced to the Australian Stock Exchange by the operators at ***Reefton*** (Blackwater), Oceana Gold Limited, and ***Bowdens***, Kingsgate Consolidated Limited, suggest Royalco is well placed to receive income from both projects in the medium term when they move through to development.

Exploration

Activities continue in the Philippines where exploratory drilling was undertaken in the Pao tenement without generating results of commercial significance. Focus will now return to the Gambang tenements which are awaiting renewal.

Interests in Uganda have now been converted into retained royalty interests.

Exploration opportunities in fresh jurisdictions are under advanced consideration.

Corporate

Royalco retains a sound franking credit balance and it is anticipated that dividend distributions will continue subject to unforeseen circumstances.

Inline with most other mining entities a number of cost mitigation initiatives have been implemented at both head office and regional levels.

The company continues to review opportunities to enhance shareholder value by various means, including provision of seed capital and other equity participations, where appropriate.

Peter Topham

**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 2013, 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



LOREN DATT
Registered Company Auditor
Registration: 339204
3 March 2013

Royalco Resources Limited
Financial report
31 December 2013

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General information

The financial report covers Royalco Resources Limited as a consolidated entity consisting of Royalco Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Royalco Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 3 March 2014. The directors have the power to amend and reissue the financial report.

Royalco Resources Limited
Statement of comprehensive income
For the half-year ended 31 December 2013

		Consolidated	
	Note	31/12/2013	31/12/2012
		\$	\$
Revenue	3	528,694	2,967,243
Expenses			
Administrative expenses		(290,350)	(609,062)
Employee benefits expense		(332,035)	(313,350)
Depreciation and amortisation expense		(733)	(732)
Exploration expenditure written off		(2,546,598)	-
Amortisation of royalty rights		(212,500)	-
Other expenses		<u>(42,545)</u>	<u>(11,849)</u>
Profit/(loss) before income tax (expense)/benefit		(2,896,067)	2,032,250
Income tax (expense)/benefit		<u>40,294</u>	<u>(603,917)</u>
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Royalco Resources Limited		(2,855,773)	1,428,333
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>51,264</u>	<u>55,219</u>
Other comprehensive income for the half-year, net of tax		<u>51,264</u>	<u>55,219</u>
Total comprehensive income for the half-year attributable to the owners of Royalco Resources Limited		<u>(2,804,509)</u>	<u>1,483,552</u>
		Cents	Cents
Basic earnings per share		(5.42)	2.71
Diluted earnings per share		(5.42)	2.71

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of financial position
As at 31 December 2013

		Consolidated	
	Note	31/12/2013	30/06/2013
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		5,560,543	7,401,360
Trade and other receivables		289,168	277,773
Income tax refund due		35,776	35,776
Total current assets		<u>5,885,487</u>	<u>7,714,909</u>
Non-current assets			
Receivables		213	213
Available-for-sale financial assets		52,000	-
Property, plant and equipment		39,101	27,630
Intangibles		8,240,780	8,453,456
Exploration and evaluation	4	571,012	1,939,317
Deferred tax		-	134,109
Other		5,018	78,233
Total non-current assets		<u>8,908,124</u>	<u>10,632,958</u>
Total assets		<u>14,793,611</u>	<u>18,347,867</u>
Liabilities			
Current liabilities			
Trade and other payables		76,435	20,009
Employee benefits		384,000	310,773
Total current liabilities		<u>460,435</u>	<u>330,782</u>
Non-current liabilities			
Deferred tax		-	174,403
Employee benefits		2,512	180,368
Total non-current liabilities		<u>2,512</u>	<u>354,771</u>
Total liabilities		<u>462,947</u>	<u>685,553</u>
Net assets		<u>14,330,664</u>	<u>17,662,314</u>
Equity			
Issued capital		12,321,611	12,321,611
Reserves		43,047	(8,217)
Retained profits		1,966,006	5,348,920
Total equity		<u>14,330,664</u>	<u>17,662,314</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 2013

	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2012	12,321,611	(13,504)	9,514,643	21,822,750
Profit after income tax (expense)/benefit for the half- year	-	-	1,428,333	1,428,333
Other comprehensive income for the half-year, net of tax	-	55,219	-	55,219
Total comprehensive income for the half-year	-	55,219	1,428,333	1,483,552
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 5)	-	-	(1,054,284)	(1,054,284)
Balance at 31 December 2012	<u>12,321,611</u>	<u>41,715</u>	<u>9,888,692</u>	<u>22,252,018</u>
	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2013	12,321,611	(8,217)	5,348,920	17,662,314
Loss after income tax (expense)/benefit for the half- year	-	-	(2,855,773)	(2,855,773)
Other comprehensive income for the half-year, net of tax	-	51,264	-	51,264
Total comprehensive income for the half-year	-	51,264	(2,855,773)	(2,804,509)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 5)	-	-	(527,141)	(527,141)
Balance at 31 December 2013	<u>12,321,611</u>	<u>43,047</u>	<u>1,966,006</u>	<u>14,330,664</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 2013

Note	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Cash flows from operating activities		
	(639,918)	(1,280,072)
	134,105	385,386
	365,866	3,225,513
	-	(607,644)
	<u>(139,947)</u>	<u>1,723,183</u>
Cash flows from investing activities		
	-	(60,018)
	(12,028)	(7,521)
	-	(876)
4	(1,113,701)	(547,060)
	(48,000)	-
	<u>(1,173,729)</u>	<u>(615,475)</u>
Cash flows from financing activities		
5	(527,141)	(1,054,284)
	<u>(527,141)</u>	<u>(1,054,284)</u>
	(1,840,817)	53,424
	<u>7,401,360</u>	<u>17,973,819</u>
	<u>5,560,543</u>	<u>18,027,243</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 2013 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 2013 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.

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 two operating segments: royalty and exploration. These operating segments are 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. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of the two operating segments are as follows:

Royalty	Management of resource based royalties
Exploration	exploration of mineral tenements in the Philippines

Royalco Resources Limited
Notes to the financial statements
31 December 2013

Note 2. Operating segments (continued)

Operating segment information

	Royalties	Exploration	Intersegment eliminations/ unallocated	Total
	\$	\$	\$	\$
Consolidated - 31/12/2013				
Revenue				
Sales to external customers	411,676	-	117,018	528,694
Total sales revenue	411,676	-	117,018	528,694
Total revenue	411,676	-	117,018	528,694
Segment Result				
Loss before income tax expense	199,176	(2,569,411)	(525,832)	(2,896,067)
Income tax expense				40,294
Loss after income tax expense				(2,885,773)
Assets				
Segment assets	8,440,371	740,623	5,612,617	14,793,611
Total assets				14,793,611
Liabilities				
Segment liabilities	-	73,890	389,056	462,946
Total liabilities				462,946
Consolidated - 31/12/2012				
Revenue				
Sales to external customers	1,649,192	373,483	-	2,022,675
Total sales revenue	1,649,192	373,483	-	2,022,675
Other revenue	-	-	944,568	944,568
Total revenue	1,649,192	373,483	944,568	2,967,243
Segment Result				
Profit before income tax expense	1,068,235	19,447	944,568	2,032,250
Income tax expense	1,068,235	19,447	944,568	(603,917)
Profit after income tax expense				1,428,333
Consolidated - 30/06/2013				
Assets				
Segment assets	34,800	3,954,184	19,583,609	23,572,593
Total assets				23,572,593
Liabilities				
Segment liabilities	-	128,861	1,026,527	1,155,388
Total liabilities				1,155,388

Royalco Resources Limited
Notes to the financial statements
31 December 2013

Note 3. Revenue

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
<i>Sales revenue</i>		
Royalty	411,676	1,649,192
<i>Other revenue</i>		
Interest	113,018	385,386
Joint venture option fee	-	373,483
Net fair value gain (loss) on available-for-sale assets	-	387,000
Other revenue	4,000	172,182
	<u>117,018</u>	<u>1,318,051</u>
Revenue	<u>528,694</u>	<u>2,967,243</u>

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Exploration and evaluation	571,012	1,939,317
	<u>571,012</u>	<u>1,939,317</u>
	<u>571,012</u>	<u>1,939,317</u>

Reconciliations

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

	Exploration & evaluation	Total
	\$	\$
Consolidated		
Balance at 1 July 2013	1,939,317	1,939,317
Additions	1,178,293	1,178,293
Impairment of assets	<u>(2,546,598)</u>	<u>(2,546,598)</u>
Balance at 31 December 2013	<u>571,012</u>	<u>571,012</u>

During the current period the decision was made to relinquish the Pao tenement and this has been impaired in full.

Note 5. Equity - dividends

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Final dividend for the year ended 30 June 2013 of 1 cent (2012 : 2 cents) per ordinary, fully franked based on a tax rate of 30%	527,141	1,054,284
	<u>527,141</u>	<u>1,054,284</u>

Royalco Resources Limited
Notes to the financial statements
31 December 2013

Note 6. Deferred tax balances

The directors have determined that it is no longer appropriate to recognise deferred tax balances as their realisation can no longer be deemed probable.

Note 7. Contingent liabilities

There were no contingent liabilities in existence at 31 December 2013 and 31 December 2012.

Note 8. Events after the reporting period

On 3 February 2014, the company announced that it will pay a dividend of one cent per share on 28 February 2014.

No other matter or circumstance has arisen since 31 December 2013 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

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 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) of the Corporations Act 2001.

On behalf of the directors



P J Topham
Executive Chairman

3 March 2014
Melbourne

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 2013, 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 2013 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 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 2013 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*.



LOREN DATT

Registered Company Auditor
Registration: 339204
3 March 2013