

Royalco Resources Limited

ABN 53 096 321 532

Half-year Financial Report - 31 December 2014

Royalco Resources Limited
Corporate directory
31 December 2014

Directors	Mr Peter Topham (Executive Chairman) Mr David Ogg (Non-Executive Director) Mr Bruce Pertzelt (Non-Executive Director) Mr Piers Reynolds (Non-Executive Director)
Company secretary	Mr Nick Boicos
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
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
Directors' report
31 December 2014

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 2014.

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)

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 \$312,621 (31 December 2013: \$2,855,773).

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 24th February 2015, the company announced a dividend of 0.5 cents per (half a cent per share) for the half year ended 31 December 2014, payable on 13th March 2015.

No other matter or circumstance has arisen since 31 December 2014 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.

Royalco Resources Limited
Directors' report
31 December 2014

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

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

P J Topham
Executive Chairman

26 February 2015
Melbourne

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 2014, 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
26 February 2015

Royalco Resources Limited

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31 December 2014

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General information

The financial statements cover Royalco Resources Limited as a consolidated entity consisting of Royalco Resources Limited and its subsidiaries. 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 26 February 2015. 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 2014

	Note	Consolidated 31 December 2014	31 December 2013
		\$	\$
Revenue	3	469,216	528,694
Expenses			
Administration expenses		(222,487)	(290,350)
Employee benefits expense		(266,923)	(332,035)
Depreciation and amortisation expense		(1,278)	(733)
Exploration expenditure written off		(41,728)	(2,546,598)
Amortisation of royalty rights		(212,500)	(212,500)
Other expenses		(36,921)	(42,545)
Loss before income tax benefit		(312,621)	(2,896,067)
Income tax benefit		-	40,294
Loss after income tax benefit for the half-year attributable to the owners of Royalco Resources Limited		(312,621)	(2,855,773)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		79,199	51,264
Other comprehensive income for the half-year, net of tax		79,199	51,264
Total comprehensive income for the half-year attributable to the owners of Royalco Resources Limited		<u>(233,422)</u>	<u>(2,804,509)</u>
		Cents	Cents
Basic earnings per share		(0.59)	(5.42)
Diluted earnings per share		(0.59)	(5.42)

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 2014

	Consolidated	
	31 December	
	2014	30 June 2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,030,807	4,671,803
Trade and other receivables	230,772	313,452
Total current assets	<u>4,261,579</u>	<u>4,985,255</u>
Non-current assets		
Property, plant and equipment	7,889	35,230
Intangibles	7,815,429	8,028,105
Exploration and evaluation	717,493	632,841
Other financial assets	24,000	24,000
Other	6,953	11,983
Total non-current assets	<u>8,571,764</u>	<u>8,732,159</u>
Total assets	<u>12,833,343</u>	<u>13,717,414</u>
Liabilities		
Current liabilities		
Trade and other payables	60,245	136,342
Employee benefits	196,328	248,914
Total current liabilities	<u>256,573</u>	<u>385,256</u>
Non-current liabilities		
Employee benefits	8,107	2,931
Total non-current liabilities	<u>8,107</u>	<u>2,931</u>
Total liabilities	<u>264,680</u>	<u>388,187</u>
Net assets	<u>12,568,663</u>	<u>13,329,227</u>
Equity		
Issued capital	12,321,611	12,321,611
Reserves	8,052	(71,147)
Retained profits	239,000	1,078,763
Total equity	<u>12,568,663</u>	<u>13,329,227</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 2014

Consolidated	Contributed equity \$	Retained profits \$	Reserves \$	Total equity \$
Balance at 1 July 2013	12,321,611	5,348,920	(8,217)	17,662,314
Loss after income tax 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	-	(2,855,773)	51,264	(2,804,509)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 4)	-	(527,141)	-	(527,141)
Balance at 31 December 2013	<u>12,321,611</u>	<u>1,966,006</u>	<u>43,047</u>	<u>14,330,664</u>
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 benefit 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 4)	-	(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>

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 2014

	Consolidated	
Note	31 December 2014	31 December 2013
	\$	\$
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)	(683,941)	(639,918)
Interest received	73,135	134,105
Royalty received	496,952	365,866
	<u>(113,854)</u>	<u>(139,947)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	-	(12,028)
Payments for exploration and evaluation	-	(1,113,701)
Payment for listed shares	-	(48,000)
	<u>-</u>	<u>(1,173,729)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Dividends paid	4 (527,142)	(527,141)
	<u>(527,142)</u>	<u>(527,141)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(640,996)	(1,840,817)
Cash and cash equivalents at the beginning of the financial half-year	4,671,803	7,401,360
Cash and cash equivalents at the end of the financial half-year	<u><u>4,030,807</u></u>	<u><u>5,560,543</u></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 2014 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 2014 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 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 2014

Note 2. Operating segments (continued)

Operating segment information

	Royalties	Exploration	Intersegment eliminations/ unallocated	Total
	\$	\$	\$	\$
Consolidated - 31 December 2014				
Revenue				
Sales to external customers	384,674	-	-	384,674
Other revenue	-	-	84,542	84,542
Total revenue	384,674	-	84,542	469,216
Segment Result				
Profit/(loss) before income tax expense	172,174	(55,280)	(429,515)	(312,621)
Income tax expense				-
Loss after income tax expense				(312,621)
Assets				
Segment assets	7,975,371	719,029	4,138,943	12,833,343
Total assets				12,833,343
Liabilities				
Segment liabilities	-	41,663	223,017	264,680
Total liabilities				264,680
Consolidated - 31 December 2013				
Revenue				
Sales to external customers	411,676	-	117,018	528,694
Total revenue	411,676	-	117,018	528,694
Segment Result				
Profit/(loss) before income tax benefit	199,176	(2,569,411)	(525,832)	(2,896,067)
Income tax benefit				40,294
Loss after income tax benefit				(2,855,773)
Consolidated - 30 June 2014				
Assets				
Segment assets	8,284,074	700,442	4,732,898	13,717,414
Total assets				13,717,414
<i>Total assets includes:</i>				
Acquisition of non-current assets	-	1,197,031	-	1,197,031
Liabilities				
Segment liabilities	-	65,736	322,451	388,187
Total liabilities				388,187

Royalco Resources Limited
Notes to the financial statements
31 December 2014

Note 3. Revenue

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
<i>Sales revenue</i>		
Royalty	384,674	411,676
<i>Other revenue</i>		
Interest	68,467	113,018
Other revenue	16,075	4,000
	<u>84,542</u>	<u>117,018</u>
Revenue	<u>469,216</u>	<u>528,694</u>

Note 4. Equity - dividends

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

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Final dividend of 1 cent per ordinary, fully franked based on a tax rate of 30%	<u>527,142</u>	<u>527,141</u>

Note 5. Contingent liabilities

There were no contingent liabilities in existence at 31 December 2014 and 31 December 2013.

Note 6. Events after the reporting period

On 24th February 2015, the company announced a dividend of 0.5 cents per (half a cent per share) for the half year ended 31 December 2014, payable on 13th March 2015.

No other matter or circumstance has arisen since 31 December 2014 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 2014

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 2014 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

26 February 2015
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 2014, 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 2014 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 2014 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
26 February 2015