

Royalco Resources Ltd
ABN 53 096 321 532

Financial Report
for the year ended

30 June 2004

CORPORATE DIRECTORY

Board of Directors

Harry A Hill (Chairman)

Peter J Topham

David L Ogg

Company Secretary

David L Ogg

Registered Office

Level 9

356 Collins Street

Melbourne Victoria 3000

Auditor

Leydin Freyer & Associates Pty Ltd

Chartered Accountants

Suite 304, 22 St Kilda Road

St Kilda Victoria 3182

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DIRECTORS REPORT

The directors of Royalco Resources Ltd submit herewith the annual financial report for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company at the date of this report are:

Peter John Topham
David Lindsay Ogg
Harry Arthur Hill

Principal Activities

The company's principal activity in the course of the financial year was the sourcing of royalty rights. During the financial year there was no significant change in that activity.

Review of Operations

The operating loss after income tax for the financial year ended 30 June 2004 was \$418,811 (2003 : \$330,582)

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has been no matter or circumstance, other than that referred to Note 20, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operation of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2004 and the number of meetings attended by each Director. During the financial year 6 board meetings were held.

Director	Full Meetings of Directors	
	Held	Attended
P Topham	6	6
D Ogg	6	6
H A Hill	6	6

ROYALCO RESOURCES LTD
ABN 53 096 321 532

Staffing

The number of employees in the entity is two

Director and Executive Officer Emoluments

Disclosures relating to directors' and executive officers emoluments have been included in Note 15 of the financial report.

Indemnification of Officers and Auditors

The company has not during or since the financial year, in respect of any person who is or has been an officer or auditor of the company indemnified or made any relevant agreement for indemnifying against a liability, including costs or expenses in successfully defending legal proceedings or paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

Corporate Governance

In recognizing the need for the highest standards of corporate behavior and accountability, the Directors of Royalco Resources Limited support and have adhered to the Principles of Corporate Governance. The company's Corporate Governance Statement is contained in the additional information section of this annual report.

Corporate Information

Royalco Resources Limited is a company limited by shares that is incorporated and domiciled in Australia.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Peter J Topham
Director
MELBOURNE,

28 October 2004

ROYALCO RESOURCES LTD
ABN 53 096 321 532

Statement of Financial Performance
For the Year Ended 30 June 2004

	Note	2004 \$	2003 \$
Revenue from Ordinary Activities	2	<u>34,931</u>	<u>3,851</u>
Administrative costs		(97,010)	(36,334)
Employment costs		(274,300)	(273,400)
Occupancy costs		(25,041)	(24,699)
Write down of royalty rights		<u>(57,391)</u>	<u>-</u>
Operating loss from ordinary activities before income tax	3	(418,811)	(330,582)
Income tax attributable to operating loss	4	<u>-</u>	<u>-</u>
Operating loss from ordinary activities after income tax		<u>(418,811)</u>	<u>(330,582)</u>
Total changes in equity other than those relating from transactions with owners as owners	12	(418,811)	(330,582)
		Cents per share	Cents per share
Earnings per Share			
Basic Earnings/(Loss) per share	21	(4.89)	(5.00)

This statement should be read in conjunction with the accompanying notes which form part of this financial report.

ROYALCO RESOURCES LTD
ABN 53 096 321 532

Statement of Financial Position
As at 30 June 2004

	Note	2004 \$	2003 \$
Current Assets			
Cash assets	5	450,370	16,285
Receivables	6	17	603
Total Current Assets		<u>450,387</u>	<u>16,888</u>
Non-Current Assets			
Deposits paid		6,658	-
Investments	7	95,365	-
Plant and Equipment	8	471	-
Royalty Rights		368,305	425,696
Intangible assets	9	1,082	1,082
Total Non-Current Assets		<u>471,881</u>	<u>426,778</u>
Total Assets		<u>922,268</u>	<u>443,666</u>
Current Liabilities			
Payables	10	21,075	123,662
Total Current Liabilities		<u>21,075</u>	<u>123,662</u>
Total Liabilities		<u>21,075</u>	<u>123,662</u>
Net Assets		<u>901,193</u>	<u>320,004</u>
Equity			
Contributed Equity	11	1,990,826	990,826
Retained earnings/(Accumulated losses)	12	(1,089,633)	(670,822)
Total Equity		<u>901,193</u>	<u>320,004</u>

This statement should be read in conjunction with the accompanying notes which form part of this financial report.

ROYALCO RESOURCES LTD
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Statement of Cash Flows
For the year ended 30 June 2004

	Note	2004 \$	2003 \$
Cash Flows From Operating Activities			
Receipts from customers		15,000	2,000
Interest received		19,931	1,851
Payments to suppliers and employees		<u>(505,009)</u>	<u>(259,090)</u>
Net cash used in operating activities	13	<u>(470,078)</u>	<u>(255,239)</u>
Cash Flows From Investing Activities			
Payment for royalty rights		-	(2,538)
Payment for investments		(95,366)	-
Payment for plant and equipment		<u>(471)</u>	<u>-</u>
Net cash used in investing activities		<u>(95,837)</u>	<u>(2,538)</u>
Cash Flows From Financing Activities			
Proceeds from the issue of shares		1,000,000	248,000
Repayments to directors and director related entities		<u>-</u>	<u>(9,333)</u>
Net cash provided by financing activities		<u>1,000,000</u>	<u>238,667</u>
Net Increase (Decrease) in Cash Held		434,085	(19,110)
Cash at the Beginning of the Financial Year		<u>16,285</u>	<u>35,395</u>
Cash at the End of the Financial Year	5	<u>450,370</u>	<u>16,285</u>

This statement should be read in conjunction with the accompanying notes which form part of this financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report covers the entity of Royalco Resources Limited. Royalco Resources Limited is an unlisted public company, registered and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account, except where stated, current valuations of non-current assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Royalty Rights

Royalty Rights are recorded at initial cost and are amortised over the expected life of the respective projects and/or royalty entitlements, commencing once royalty revenue is earned, but not exceeding twenty (20) years. The carrying values of the Rights are reviewed regularly by the directors and adjustments made where appropriate.

(b) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts.

(c) Trade and other receivables

Royalties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful debts.

(d) Investments

Investments are valued at cost except where, in the opinion of the Directors, there has been a permanent diminution in the value of the investment and a provision for diminution has been made.

(e) Non-current assets

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed their recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Property, plant and equipment

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

Depreciation is provided on a straight line basis on all property, plant and equipment.

(h) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave where it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(j) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future Income Tax Benefits in relation to tax losses are not brought to account unless there is virtual certainty or realisation of the benefit.

The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(k) Intangibles

Intangibles are recorded at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Revenue Recognition

Royalty income is recognised on an accruals basis based on the amounts earned pursuant to the relevant Royalty Sales Agreement.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest revenue is recognised on an accrual basis.

Dividend revenue is recognised on a receivable basis.

(u) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep shareholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136 : Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Share Based Payments

The Company currently does not recognise an expense for options issues to directors and employees. Under AASB2 "Share Based Payments", the Company will be required to recognise an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

Royalty Rights

Given that the International Accounting Standards Board ("IASB") is not expected to release an IFRS based on Exposure Drafts 6 "Exploration for and Evaluation of Mineral Resources" until late 2004, the potential implications of adoption of this IFRS cannot be identified. However, based on the content of Exposure Draft 6 as it currently stands, there is uncertainty as to whether costs associated with the Royalty Rights would continue to qualify for capitalisation.

ROYALCO RESOURCES LTD

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Tax

Currently the economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax of future income tax benefit. Under the Australian equivalent to IAS12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effect of the timing and permanent differences between taxable income and accounting profit.

Classification of Financial Instruments

The economic entity currently does not recognise derivative financial instruments in the financial statements. Pending AASB 139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2004 \$	2003 \$
2. REVENUE		
Non-Operating Revenue		
Consulting Fees	15,000	-
Interest revenue – other entities	19,931	1,851
Sundry income	-	2,000
Total Revenue	<u>34,931</u>	<u>3,851</u>

3. LOSS FROM ORDINARY ACTIVITIES

Superannuation contributions	24,300	23,400
Write down of royalty rights	57,391	-
Rental expense on operating lease	<u>23,504</u>	<u>21,834</u>

4. INCOME TAX

(a) Income tax expense

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the amount calculated on the operating loss. The differences are reconciled as follows:

Operating loss before income tax	<u>418,811</u>	<u>330,582</u>
Prima facie income tax benefit at 30% on operating loss	125,643	99,175
Timing differences	(1,823)	(1,740)
Permanent differences	(32,217)	(927)
Income tax losses carried forward not taken up as a benefit	<u>(91,603)</u>	<u>(96,508)</u>
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>

The benefit for the above tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2004 \$	2003 \$
5. CASH		
Cash on hand and at bank	<u>450,370</u>	<u>16,285</u>
6. OTHER		
GST receivable	<u>17</u>	<u>603</u>
7. RECEIVABLES		
Investments in unrelated entities	70,365	-
Investments in director related entities	<u>25,000</u>	<u>-</u>
	<u>95,365</u>	<u>-</u>
8. PLANT AND EQUIPMENT		
Plant and equipment - at cost	471	-
Less: accumulated depreciation	<u>-</u>	<u>-</u>
	<u>471</u>	<u>-</u>
9. INTANGIBLES		
Formation costs – at cost	<u>1,082</u>	<u>1,082</u>
10. PAYABLES – CURRENT		
Amounts payable to directors and director related entities	-	85,334
Sundry creditors and accruals	<u>21,075</u>	<u>38,328</u>
	<u>21,075</u>	<u>123,662</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. CONTRIBUTED EQUITY

	2004 \$	2003 \$
(a) 8,730,000 (2003 : 6,730,000) fully paid ordinary shares	<u>1,990,826</u>	<u>990,826</u>

(b) Movements in ordinary share capital of the company were as follows:

Date	Details	Number of shares	\$
01-07-2002	Opening Balance	6,170,000	742,826
	Issues to shareholders	560,000	248,000
30-06-2003	Closing Balance	<u>6,730,000</u>	<u>990,826</u>

Date	Details	Number of shares	\$
01-07-2003	Opening Balance	6,730,000	990,826
	Issues to shareholders	2,000,000	1,000,000
30-06-2004	Closing Balance	<u>8,730,000</u>	<u>1,990,826</u>

	2004 \$	2003 \$
12. ACCUMULATED LOSSES		
Opening Balance	670,822	340,240
Current year loss	418,811	330,582
Closing Balance	<u>1,089,633</u>	<u>670,822</u>

13. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Operating Loss After Income Tax to Net Cash Flows From Operating Activities:

Operating Loss after income tax	(418,811)	(330,582)
Non-Cash Activities		
Write down of Royalty Rights	57,391	-
Profit on sale of investments		-
Changes in net assets:		
(Increase)/Decrease in other current assets	(6,072)	1,897
Increase/(Decrease) in sundry creditors and accruals	(102,586)	73,446
Net Cash used in operating activities	<u>(470,078)</u>	<u>(255,239)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14. FINANCIAL INSTRUMENTS

(a) The following table details the company's exposure to interest rate risk at 30 June 2004

2004	Average Interest Rate (%)	Variable Interest Rate (\$)	Fixed Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets					
Cash	3	450,364	-	6	450,370
Receivables				17	17
Financial Liabilities					
Payables	-	-	-	21,075	21,075

2003	Average Interest Rate (%)	Variable Interest Rate (\$)	Fixed Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets					
Cash	4	11,086	-	5,199	16,285
Receivables				603	603
Financial Liabilities					
Payables	-	-	-	38,328	38,328
Amounts owing to directors and director related entities	-	-	-	85,334	85,334

(b) Net Fair Values

The aggregate net fair values of financial assets and liabilities are the same as the carrying amounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Directors	Position
Peter John Topham	Executive Director
David Lindsay Ogg	Executive Director
Harry Arthur Hill	Chairman

Specified
 Nil

(b) Directors Remuneration

	Salaries, Fees and Commissions		Superannuation Contributions		Total	
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
Mr P Topham	150,000	140,000	13,500	12,600	162,600	152,600
Mr D Ogg	120,000	120,000	10,800	10,800	130,800	130,800
Mr H Hill	-	-	-	-	-	-
	270,000	260,000	24,300	23,400	293,400	283,400

(c) Shareholdings of Specified Directors

	Balance at 1 July 2003	Granted as remuneration	Net Change Other	Balance at 30 June 2004
Directors				
Mr P Topham	2,000,000	-	-	2,000,000
Mr D Ogg	1,500,000	-	-	1,500,000
Mr H Hill	-	-	-	-
	3,500,000	-	-	3,500,000

(d) Remuneration Policy

The Board is responsible for reviewing and determining compensation arrangements for Directors and executives to ensure maximum shareholder benefit is obtained from Directors and Executives. The nature and amount of Directors remuneration is assessed in line with the company's operational and financial performance.

16. RELATED PARTY TRANSACTIONS

Related parties of Royalco Resources Ltd fall into the following categories:

Directors

- (a) **The names of persons who were Directors of Royalco Resources Ltd at any time during the financial year were:**

Peter J Topham
David L Ogg
H A Hill

- (b) **Remuneration, Retirement Benefits and Service Agreements**

Information on Directors' remuneration and service agreements with Directors are set out in Note 15. No retirement benefits were paid to Directors during the year.

- (c) **Transactions with Directors and Director Related Entities**

During the year the following transactions took place between the company and director related entities:

- (i) David Ogg & Associates Pty Ltd, a company associated with Mr D Ogg, received consulting fees of \$20,000 (2003 : \$10,000) for the provision of management services.
- (ii) Copper Strike Limited, a company associated with Mr D Ogg and Mr P Topham, paid consulting fees to Royalco Resources Limited of \$15,000 (2003 : Nil) during the year.
- (iii) David Ogg & Associates Pty Ltd, a company associated with Mr D Ogg, received fees of \$1,459 during the year for funds placement of Royalco Resources Limited deposits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2004 \$	2003 \$
17. AUDITORS REMUNERATION		
Auditing the financial report	4,000	6,000
Other services	2,000	2,000
Closing Balance	<u>6,000</u>	<u>8,000</u>

18. SEGMENT REPORTING

The company operated predominately in the sourcing of royalty rights in Australia

	2004 \$	2003 \$
19. EMPLOYEES		
Number of employees at end of financial year	2	2

20. SUBSEQUENT EVENTS

Since the end of the financial year there have been no matters or circumstances which significantly affected or may significantly affect the operation of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

	2004 Cents Per Share	2003 Cents Per Share
21. (LOSS) PER SHARE		
Basic (loss) per share	<u>(4.89)</u>	<u>(5.00)</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) per share	<u>8,571,096</u>	<u>6,417,891</u>

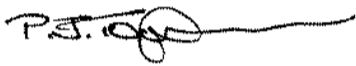
Directors' Declaration

The directors declare that:

1. The financial statements and notes, as set out on pages 5 to 18:
 - (a) comply with accounting standards and are in accordance with the Corporations Act 2001, and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and performance for the year ended on that date of the company; and
2. In the directors' opinion, 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 the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Peter J Topham
Director

28 October 2004

Independent audit report to members of Royalco Resources Limited

Scope

ABN: 72 131 505 306

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Royalco Resources Limited (the Company) for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included;

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

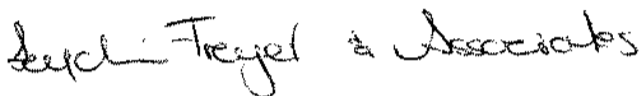
Independence

In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Royalco Resources Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) gives a true and fair view of the Royalco Resources Limited's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



LEYDIN FREYER & ASSOCIATES PTY LTD
Chartered Accountants



MELANIE J LEYDIN
Partner

28 October 2004

Corporate Governance Statement

Board of Directors

Composition of the Board

The Directors in office at the date of this statement are:

PJ Topham	Managing Director
D Ogg	Director and Company Secretary
H A Hill	Chairman

Because of the size of the entity there are no separate committees to cover the following matters:

- Membership of the governing body;
- Remuneration of the governing body;
- Nomination of external auditors and
- Review of internal control.

The Board consults on a regular basis both formally and informally when the matters detailed above would be discussed as required.

As the Board acts on behalf of the shareholders and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- Quarterly reports to the shareholders and other announcements; and
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

Audit Committee

The Company does not have an audit committee as the Board of Directors feels that such a committee is not necessary given the size and nature of its operations.

Independent Professional Advice

Directors have the right in connection with their duties and responsibilities as Directors to seek independent professional advice at the Company's expense.

Ethical Standards

Employees and Directors are expected to act with the utmost integrity and objectivity at all times in their dealings with each other, competitors, customers, suppliers, the company and the community.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 27 October 2004.

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of holding	Number	Number of Shares
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	5	380,000
100,001 shares and over	9	8,350,000

(b) There are no shareholders with less than a marketable parcel of ordinary shares.

2. Twenty Largest Shareholders

The names of the twenty largest holders of ordinary shares are listed below:

SHAREHOLDER		HOLDING	%
Meat Industry Employees Superannuation Fund		2,000,000	22.91
Keryn Anne Topham	*	1,600,000	18.33
Riomin Australia Gold Pty Ltd		1,510,000	17.30
Meballa Pty Ltd	#	1,000,000	11.45
Porthill Resources Pty Ltd	*#	796,000	9.12
J P Morgan Nominees Australia Ltd		624,000	7.15
Tower Trust Ltd A/C P E Daly Private ADF		500,000	5.73
Tamily Pty Ltd		200,000	2.29
Hubertine Jessop		120,000	1.37
Kim Bernard McDonald		100,000	1.15
David Lindsay Ogg	#	100,000	1.15
Sixth Vizcor Pty Ltd		100,000	1.15
Leo Reichert		40,000	0.46
Yavern Creek Holdings Pty Ltd		40,000	0.46
TOTAL		8,730,000	100.00

* Shareholder associated with a director, Peter John Topham

Shareholder associated with a director, David Lindsay Ogg

3. Restricted Securities

As at 27 October 2003 there were 3,500,000 ordinary shares subject to a voluntary escrow agreement that requires that these shares not be sold prior to listing of the company's securities on the ASX, unless an offer is made on the same terms and conditions to all shareholders. The shareholdings subject to this agreement are those associated with two directors of the company, Peter John Topham and David Lindsay Ogg, and are as noted in item 2 above.

4. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.