

**Royalco Resources Ltd**  
**ABN 53 096 321 532**

**Financial Report**  
**for the year ended**

**30 June 2005**

**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 Corporate 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 2005. 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 2005 was \$300,128 (2004 : \$418,811).

### 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 21, 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 2005 and the number of meetings attended by each Director. During the financial year 7 board meetings were held.

Director	Full Meetings of Directors	
	Held	Attended
P Topham	7	7
D Ogg	7	7
H A Hill	7	7

**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 16 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.

**Proceedings on Behalf of the Company**

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

**Auditor Independence And Non-Audit Services**

The lead auditors independence declaration for the year ended 30 June 2005 has been received and is attached.

**Non-Audit Services**

There were no non-audit services provided by the entity's auditor, Leydin Freyer & Associates.

**Corporate Governance**

In recognizing the need for the highest standards of corporate behavior and accountability, the Directors of Royalco Resources Limited support 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,

27 September 2005

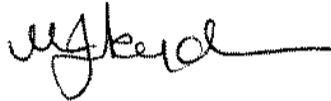
## AUDITOR'S INDEPENDENCE DECLARATION FOR THE YEAR ENDED 30 JUNE 2005

As lead auditor for the audit of Royalco Resources Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Royalco Resources Limited and the entities it controlled during the year.

**LEYDIN FREYER CORPORATE PTY LTD**  
**Chartered Accountants**



**M J LEYDIN**  
**Director**

27 September 2005

Documents stored on the LeydinFreyer website are for information only and do not constitute an offer of any financial product.

**Leydin Freyer Corporate Pty Ltd**  
Chartered Accountants  
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**Statement of Financial Performance  
 For the Year Ended 30 June 2005**

	Note	2005 \$	2004 \$
Revenue from Ordinary Activities	2	99,147	34,391
Administrative costs		(101,269)	(97,010)
Employment costs		(270,375)	(274,300)
Occupancy costs		(18,239)	(25,041)
Write down of royalty rights		(9,392)	(57,391)
Formation expenses written off		(1,082)	-
Depreciation expense		(95)	-
<b>Operating loss from ordinary activities before income tax</b>	3	(300,128)	(418,811)
Income tax attributable to operating loss	4	-	-
Operating loss from ordinary activities after income tax		(300,128)	(418,811)
<b>Total changes in equity other than those relating from transactions with owners as owners</b>	13	(300,128)	(418,811)
		Cents per share	Cents per share
<b>Earnings per Share</b>			
Basic Earnings/(Loss) per share	22	(3.78)	(4.89)

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

**Statement of Financial Position  
 As at 30 June 2005**

	Note	2005 \$	2004 \$
<b>Current Assets</b>			
Cash assets	5	196,770	450,370
Receivables	6	8,366	17
Other	7	22,056	-
<b>Total Current Assets</b>		<u>227,192</u>	<u>450,387</u>
<b>Non-Current Assets</b>			
Deposits paid		6,658	6,658
Investments	8	25,000	95,365
Plant and Equipment	9	376	471
Royalty Rights		358,913	368,305
Intangible assets	10	-	1,082
<b>Total Non-Current Assets</b>		<u>390,947</u>	<u>471,881</u>
<b>Total Assets</b>		<u>618,139</u>	<u>922,268</u>
<b>Current Liabilities</b>			
Payables	11	17,074	21,075
<b>Total Current Liabilities</b>		<u>17,074</u>	<u>21,075</u>
<b>Total Liabilities</b>		<u>17,074</u>	<u>21,075</u>
<b>Net Assets</b>		<u>601,065</u>	<u>901,193</u>
<b>Equity</b>			
Contributed Equity	12	1,990,826	1,990,826
Retained earnings/(Accumulated losses)	13	(1,389,761)	(1,089,633)
<b>Total Equity</b>		<u>601,065</u>	<u>901,193</u>

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

**Statement of Cash Flows**  
**For the year ended 30 June 2005**

	Note	2005 \$	2004 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		41,000	15,000
Interest received		17,247	19,931
Payments to suppliers and employees		<u>(421,012)</u>	<u>(505,009)</u>
Net cash used in operating activities	14	<u>(362,765)</u>	<u>(470,078)</u>
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale of investments		128,854	-
Payment for investments		(19,689)	(95,366)
Payment for plant and equipment		<u>-</u>	<u>(471)</u>
Net cash provided by/(used in) investing activities		<u>109,165</u>	<u>(95,837)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from the issue of shares		<u>-</u>	<u>1,000,000</u>
Net cash provided by financing activities		<u>-</u>	<u>1,000,000</u>
<b>Net Increase (Decrease) in Cash Held</b>		(253,600)	434,085
Cash at the Beginning of the Financial Year		<u>450,370</u>	<u>16,285</u>
<b>Cash at the End of the Financial Year</b>	5	<u>196,770</u>	<u>450,370</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.

#### (m) Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition of Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the consolidated entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The consolidated entity's management has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's directors and management.

#### *Impairment of Assets*

The recoverable amount of non-current assets will be assessed as the higher of the net selling price and value in use, on a discounted basis. Royalco Resources Limited currently assesses recoverable amounts of non-current assets based on undiscounted future net cash flows. No impact from this change is expected to occur.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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

**(m) Adoption of Australian Equivalents to International Financial Reporting Standards continued**

*Intangible Assets – Royalty Rights*

Under AASB 138 Intangible Assets, Royalty Rights can only be recognised when it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. On initial recognition, all Royalty Rights must be measured at cost. Subsequently, these Rights can be measured at fair value by reference to an active market, but these carrying values must be assessed regularly to ensure the carrying amount does not materially differ from the fair value at reporting date.

Amortisation of these rights will commence once the asset is income producing. The amortisation method and useful life will be assessed at the end of each reporting period.

No impact from this change is expected to occur unless it is determined that an active market exists for the Royalty Rights at which time they will be recorded at fair value.

*Income Tax*

Under AASB 112 Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit of loss and/or taxable income or loss and current and deferred taxes cannot be recognized directly in equity. Under AIFRS deferred tax assets will be recognized for the carry forward of unused tax losses to the extent that future taxable profit is probable rather than virtually certain. The Company will recognise the future income tax benefit on the carried forward tax losses as at 1 July 2004 of approximately \$306,055 and approximately \$85,868 at 30 June 2005.

<b>Reconciliation of Profit</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Net loss attributable to the members of the Company under AGAAP	(300,128)	(418,811)
Recognition of future income tax benefit	85,868	106,263
Net profit according to AIFRS	<u>(214,260)</u>	<u>(312,548)</u>

<b>Reconciliation of Equity</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Total Equity	601,065	901,193
Recognition of future income tax benefit for current year	85,868	106,263
Recognition of future income tax benefit for prior years (2001 – 2003)	-	199,792
Net profit according to AIFRS	<u>686,933</u>	<u>1,207,248</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005 \$	2004 \$
<b>2. REVENUE</b>		
<b>Non-Operating Revenue</b>		
Consulting Fees - related party (Note 17)	41,000	15,000
Interest revenue – other entities	19,348	19,931
Profit on sale of investments	38,799	-
<b>Total Revenue</b>	<u>99,147</u>	<u>34,931</u>
<b>3. LOSS FROM ORDINARY ACTIVITIES</b>		
Write off of formation expenses	1,082	-
Superannuation contributions	30,375	24,300
Write down of royalty rights	9,391	57,391
Rental expense on operating lease	17,195	23,504
Depreciation expenses	<u>95</u>	<u>-</u>
<b>4. INCOME TAX</b>		
<b>(a) Income tax expense</b>		
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>300,128</u>	<u>418,811</u>
Prima facie income tax benefit at 30% on operating loss	90,038	125,643
Timing differences	-	(1,823)
Permanent differences	(4,170)	(32,217)
Income tax losses carried forward not taken up as a benefit	(85,868)	(91,603)
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

	2005 \$	2004 \$
<b>5. CASH</b>		
Cash on hand and at bank	<u>196,770</u>	<u>450,370</u>
<b>6. RECEIVABLES</b>		
GST receivable	6,265	17
Interest receivable	<u>2,101</u>	<u>-</u>
	<u>8,366</u>	<u>17</u>
<b>7. OTHER</b>		
Prepayments	<u>22,056</u>	<u>-</u>
<b>8. INVESTMENTS</b>		
Investments in unrelated entities	-	70,365
Investments in director related entities	<u>25,000</u>	<u>25,000</u>
	<u>25,000</u>	<u>95,365</u>
<b>9. PLANT AND EQUIPMENT</b>		
Plant and equipment - at cost	471	471
Less: accumulated depreciation	<u>95</u>	<u>-</u>
	<u>376</u>	<u>471</u>
<b>10. INTANGIBLES</b>		
Formation costs - at cost	<u>-</u>	<u>1,082</u>
<b>11. PAYABLES - CURRENT</b>		
Sundry creditors and accruals	<u>17,074</u>	<u>21,075</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. CONTRIBUTED EQUITY

	2005 \$	2004 \$
(a) 8,730,000 (2004 : 8,730,000) fully paid ordinary shares	<u>1,990,826</u>	<u>1,990,826</u>

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

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>

Date	Details	Number of shares	\$
01-07-2004	Opening Balance	8,730,000	1,990,826
	Issues to shareholders	-	-
30-06-2005	Closing Balance	<u>8,730,000</u>	<u>1,990,826</u>

2005 \$	2004 \$
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13. ACCUMULATED LOSSES

Opening Balance	1,089,633	670,822
Current year loss	<u>300,128</u>	<u>418,811</u>
Closing Balance	<u>1,389,761</u>	<u>1,089,633</u>

14. 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	(300,128)	(418,811)
Non-Cash Activities		
Write down of Royalty Rights	9,391	57,391
Profit on sale of investments	(38,799)	-
Depreciation	95	-
Write off of formation expenses	1,082	-
Changes in net assets:		
(Increase)/Decrease in receivables	(8,349)	-
(Increase)/Decrease in other current assets	(22,056)	(6,072)
Increase/(Decrease) in sundry creditors and accruals	<u>(4,001)</u>	<u>(102,586)</u>
Net Cash used in operating activities	<u>(362,765)</u>	<u>(470,078)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS

(a) The following table details the company's exposure to interest rate risk at 30 June 2005

2005	Average Interest Rate (%)	Variable Interest Rate (\$)	Fixed Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
<b>Financial Assets</b>					
Cash	3.0	196,770	-	-	196,770
Receivables	-	-	-	8,366	8,366
<b>Financial Liabilities</b>					
Payables	-	-	-	17,074	17,074

2004	Average Interest Rate (%)	Variable Interest Rate (\$)	Fixed Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
<b>Financial Assets</b>					
Cash	3.0	450,364	-	6	450,370
Receivables	-	-	-	17	17
<b>Financial Liabilities</b>					
Payables	-	-	-	21,075	21,075

(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**

**16. 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	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Mr P Topham	150,000	150,000	13,500	13,500	162,600	162,600
Mr D Ogg	120,000	120,000	10,800	10,800	130,800	130,800
Mr H Hill	-	-	-	-	-	-
	<u>270,000</u>	<u>270,000</u>	<u>24,300</u>	<u>24,300</u>	<u>293,400</u>	<u>293,400</u>

(c) Shareholdings of Specified Directors

	Balance at 1 July 2004	Granted as remuneration	Net Change Other	Balance at 30 June 2005
<b>Directors</b>				
Mr P Topham	1,998,000	-	-	1,998,000
Mr D Ogg	1,498,000	-	-	1,498,000
Mr H Hill	-	-	-	-
	<u>3,496,000</u>	<u>-</u>	<u>-</u>	<u>3,496,000</u>

(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.

**17. 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 16. 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 \$30,000 (2004: \$30,000) for the provision of management services. (These consulting fees are included in total remuneration at Note 16)
- (ii) Copper Strike Limited, a company associated with Mr D Ogg and Mr P Topham, paid consulting fees to Royalco Resources Limited of \$41,000 (2004: \$15,000) during the year. (Note 2)
- (iii) David Ogg & Associates Pty Ltd, a company associates with Mr D Ogg, received commission for deposit placements of \$885.00 during the year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2005 \$	2004 \$
<b>18. AUDITORS REMUNERATION</b>		
Auditing the financial report	4,000	4,000
Other services	2,000	2,000
Closing Balance	<u>6,000</u>	<u>6,000</u>

**19. SEGMENT REPORTING**

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

	2005 \$	2004 \$
<b>20. EMPLOYEES</b>		
Number of employees at end of financial year	2	2

**21. SUBSEQUENT EVENTS**

On the 16th June 2005, Royalco Resources Ltd entered into a conditional agreement to purchase all the issued capital of Oxiana Philippines Inc for a consideration of US\$4 million in shares to be issued by Royalco concurrently with a separate listing of Royalco on a suitable stock exchange.

A total of \$74,000 has been expended by Royalco as at 30th June 2005, as part of the due diligence process.

Completion of this transaction is in progress at the date of this report.

	2005 Cents Per Share	2004 Cents Per Share
<b>22. (LOSS) PER SHARE</b>		
Basic (loss) per share	<u>(3.78)</u>	<u>(4.89)</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) per share	<u>8,730,000</u>	<u>8,581,096</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 2005 and performance for the year ended on that date of the company; and
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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

27 September 2005

## Independent audit report to members of Royalco Resources Limited

### Scope

#### 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 2005.

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.

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## 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 2005 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 CORPORATE PTY LTD**  
**Chartered Accountants**



**M J LEYDIN**  
**Director**

27 September 2005

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## 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 September 2005.

**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	9.16
J P Morgan Nominees Australia Ltd		624,000	7.10
Tower Trust Ltd A/C P E Daly Private ADF		500,000	5.73
Family 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
<b>TOTAL</b>		<b>8,730,000</b>	<b>100.00</b>

\* Shareholder associated with a director, Peter John Topham  
 # Shareholder associated with a director, David Lindsay Ogg

**3. Restricted Securities**

As at 27 September 2005 there were 3,496,000 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.