

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

Half-year Report
for the half-year ended 31 December 2006

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CORPORATE DIRECTORY

Board of Directors

Mr Peter Topham
Mr David Ogg
Mr Adam Boyd
Mr Tom Eadie
Mr Peter Lester

Company Secretary and Chief Financial Officer

Mr David Ogg

Registered Office

Level 9/356 Collins Street
Melbourne Victoria 3000
Telephone: 613 9602 3626
Facsimile: 613 9670 4479
Email: info@royalco.com.au
Website: www.royalco.com.au

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6153
Telephone: (08) 9315 2333

Auditor

Leydin Freyer Corporate Pty Ltd
Chartered Accountants
Suite 304, 22 St Kilda Road
St Kilda Victoria 3182

Bankers

ANZ Bank
388 Collins Street
Melbourne Victoria 3000

Stock Exchange Listing

Royalco Resources Limited is listed on the Australian Stock Exchange.
ASX Code: RCO

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DIRECTORS' REPORT

The Directors of Royalco Resources Limited submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the half-year are:

Name	
Peter Topham	Executive Chairman
David Ogg	Executive Director
Adam Boyd	Non Executive Director
Tom Eadie	Non Executive Director
Peter Lester	Non Executive Director

REVIEW OF OPERATIONS

The consolidated net loss after income tax for the half year was \$220,395 (2005: loss of \$158,979)

The half year to December 31, following the successful IPO of the company in June 2006, has been one of significant progress, with the development of the Reefton Gold Project in New Zealand being a significant step forward in achieving our corporate goals of generating royalty income whilst expanding its exploration activities.

Further positive announcements by the operators at Mt Garnet and Mt Kelly will substantially enhance our Company's cashflow through forthcoming periods consolidating Royalco's already strong financial position.

In the Philippines, the company posted solid progress, with the commencement of diamond drilling activities at Samay, granting of the Malangza exploration permit, fieldwork in five project areas and employment of additional geologists. Proposed exploration programmes involve diamond drilling on a number of advanced prospects during the 2007 year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the review of the half-year is included on page 4.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



P J Topham
Executive Chairman

MELBOURNE,

27 February, 2007

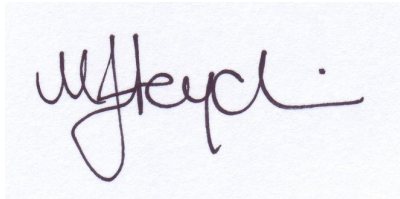
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS
ACT 2001**

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 2006, 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.

**LEYDIN FREYER CORPORATE PTY LTD
Chartered Accountants**



**M J LEYDIN
Director**

Date: 27 February 2007



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 balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the company 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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 audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

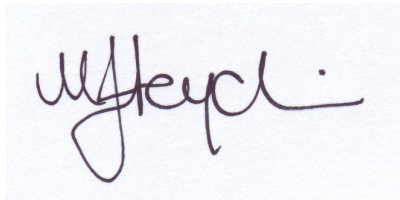
Conclusion

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 consolidated entity's financial position as at 31 December 2006 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*.

Yours faithfully

LEYDIN FREYER CORPORATE PTY LTD
Chartered Accountants



M. J. LEYDIN
Director

Date: 27 February 2007

DIRECTORS DECLARATION

The Directors declare that:

- a) 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;
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



P J Topham
Executive Chairman

Executive Chairman

MELBOURNE,

27 February, 2007

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	CONSOLIDATED ENTITY	
		Half-year ended 31 December 2006 \$	Half-year ended 31 December 2005 \$
Revenue		292,337	13,021
Other income		182,132	65,688
Employee benefit expenses		(360,960)	(179,187)
Administration expenses		(279,223)	(132,432)
Share based payments		(44,382)	-
Exploration expenses		(176,553)	-
Profit/(loss) before tax for the period		(386,649)	(232,910)
Income tax benefit		166,254	73,931
Profit/(loss) for the period		(220,395)	(158,979)
		Cents per share	Cents per share
Earnings/(Loss) per Share			
Basic Earnings per share		(0.391)	(0.729)
Diluted Earnings per share		(0.369)	(0.675)

This statement is to be read in conjunction with the notes to the financial statements.

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	CONSOLIDATED ENTITY 31 December 2006 \$	30 June 2006 \$
Current Assets			
Cash and cash equivalents		9,763,266	10,827,559
Trade and other receivables		68,348	113,552
Other financial assets		287,500	119,970
Other		-	14,561
Total Current Assets		<u>10,119,114</u>	<u>11,075,642</u>
Non-Current Assets			
Property, plant and equipment		59,508	4,230
Deferred tax assets		1,084,510	918,256
Royalty rights		336,697	336,697
Intangible assets		418,035	418,035
Other		4,396,265	3,983,703
Total Non-Current Assets		<u>6,295,015</u>	<u>5,660,921</u>
Total Assets		<u>16,414,129</u>	<u>16,736,563</u>
Current Liabilities			
Trade and other payables		67,515	182,597
Provisions		111,267	136,209
Total Current Liabilities		<u>178,782</u>	<u>318,806</u>
Non-Current Liabilities			
Provisions		33,416	52,144
Total Non-Current Liabilities		<u>33,416</u>	<u>52,144</u>
Total Liabilities		<u>212,198</u>	<u>370,950</u>
Net Assets		<u>16,201,931</u>	<u>16,365,613</u>
Equity			
Issued Capital		18,546,934	18,546,934
Reserves		561,850	491,661
Accumulated losses		(2,893,377)	(2,672,982)
Total Equity		<u>16,201,931</u>	<u>16,365,613</u>

This statement is to be read in conjunction with the notes to the financial statements.

ROYALCO RESOURCES LIMITED
ABN 53 096 321 532

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED					
	Issued Capital	Retained Earnings	Option Reserve	Foreign Currency Translation Reserve	Total
Equity as at 1 July 2005	1,990,826	(1,043,537)	-	-	947,289
Profit/(loss) for the period (a)	-	(158,979)	-	-	(158,979)
Issue of shares	409,500	-	-	-	409,500
Equity as at 31 December 2005	2,400,326	(1,202,516)	-	-	1,197,810

CONSOLIDATED					
	Issued Capital	Retained Earnings	Option Reserve	Foreign Currency Translation Reserve	Total
Equity as at 1 July 2006	18,546,934	(2,672,982)	517,468	(25,807)	16,365,613
Share based payments	-	-	44,382	-	44,382
Currency translation differences	-	-	-	12,331	12,331
Profit/(loss) for the period (a)	-	(220,395)	-	-	(220,395)
Equity as at 31 December 2006	18,546,934	(2,893,377)	561,850	(13,476)	16,201,931

(a) Loss for the period equals total recognised income and expense for the period.

This statement is to be read in conjunction with the notes to the financial statements.

ROYALCO RESOURCES LIMITED
ABN 16 108 398 983

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2006 \$	Half-year ended 31 December 2005 \$
Cash Flows From Operating Activities		
Receipts from customers	-	-
Interest received	292,337	4,721
Payments to suppliers and employees	<u>(886,734)</u>	<u>(259,700)</u>
Net cash used in operating activities	<u>(594,397)</u>	<u>(254,979)</u>
Cash Flows From Investing Activities		
Payment for property, plant and equipment	(57,334)	(5,321)
Payment for exploration expenditure	(412,562)	-
Payment for investments	<u>-</u>	<u>(39,500)</u>
Net cash used in by investing activities	<u>(469,896)</u>	<u>(44,821)</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares	<u>-</u>	<u>409,500</u>
Net cash flows from financing activities	<u>-</u>	<u>409,500</u>
Net Increase (Decrease) in cash and cash equivalents	(1,064,293)	109,700
Cash and cash equivalents at beginning of the financial period	<u>10,827,559</u>	<u>196,770</u>
Cash and cash equivalents at the end of the financial period	<u>9,763,266</u>	<u>306,470</u>

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as stated below.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting periods on or after 1 July 2006.

This has resulted in no changes to the Groups accounting policies or reported balances.

2. SEGMENT INFORMATION

The following is an analysis of the revenue and the results for the period, analysed by the entity's business segments of royalty rights and exploration, which are Royalco Resources Limited's primary basis of segmentation.

	SEGMENT REVENUE		SEGMENT RESULT	
	Half-year ended		Half-year ended	
	31	31	31	31
	December	December	December	December
	2006	2005	2006	2005
	\$	\$	\$	\$
Continuing operations				
Royalty rights	-	-	(164,525)	(232,910)
Exploration	-	-	(205,463)	-
Unallocated	292,337	13,021	-	-
Total revenue	<u>292,337</u>	<u>13,021</u>		
Profit/(loss) before income tax			<u>(369,988)</u>	<u>(232,910)</u>
Income tax benefit			166,254	73,931
Profit/(loss) for the period			<u>(203,734)</u>	<u>(158,979)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ISSUE OF EQUITY SECURITIES

During the reporting period, Royalco Resources Limited issued 150,000 unlisted options to a Director, Mr Peter Lester. The options expire on 31 March 2011, were issued at an exercise price of \$0.50 at any time after 28 June 2008. These share options had a fair value at grant date of \$0.185 per share option. An amount of \$27,721 has been recorded as a share based payment.

The fair value of the options granted is estimated as at the grant date using a Black Scholes valuation model taking into account the terms and conditions upon which the options were granted. The key assumptions used were a volatility rate of 27%, a \$0.53 market value for the shares, a risk free interest rate of 6% and a term for the options of 5 years.

During the period 510,000 options were issued to employees and consultants under the Employee Option Scheme. 90,000 of these options vest upon grant date of 30 August 2006, 210,000 vest on 1 July 2007 and 210,000 vest on 1 July 2008. These share options had a fair value at grant date of \$0.238 per share option. An amount of \$16,660 has been recorded as a share based payment.

The fair value of 420,000 of these options granted is estimated as at the grant date using a Black Scholes valuation model taking into account the terms and conditions upon which the options were granted. The key assumptions used were a volatility rate of 33%, a \$0.575 market value for the shares, a risk free interest rate of 6% and a term for the options of 5 years.

4. BUSINESS COMBINATIONS

Name of Entity	Country of Incorporation	Ownership Interest	
		31 December 2006 %	31 December 2005 %
Parent Entity			
Royalco Resources Limited	Australia		
Subsidiaries			
Royalco Philippines Inc. (formerly Oxiana Philippines Inc.)	Philippines	100%	-
Ginto Minerals Pty Ltd	Australia	100%	100%
Royalco Resources (No 1) Pty Ltd	Australia	100%	100%

Oxiana Philippines Inc. changed its name to Royalco Philippines Inc. on 29 August, 2006

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. COMMITMENTS FOR EXPENDITURE

CONSOLIDATED ENTITY
31 30
December June
2006 2006
\$ \$

Exploration Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

Not later than one year	255,987	319,334
Later than one year but not later than five	1,090,822	584,044
Later than five years	-	-
	1,346,809	903,378

6. EVENTS AFTER THE BALANCE SHEET DATE

Other than as disclosed above, no matter or circumstance has arisen since the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.