

March 2008 Quarterly Report

31st March 2008

Corporate Details

ASX Code: RCO

Issued Capital:

56,411,200 Shares

2,950,000 Options @50c, 31/3/2011 (Unlisted)

510,000 Options @52c, 31/3/2011 (Unlisted)

150,000 Options @80c, 31/3/2011 (Unlisted)

Share Price: 40c

Market Capitalisation:

A\$22.4 million

Cash Balance: \$7.4 million

Major Shareholders:

Oxiana	17.7%
Directors	14.9%
ANZ Nominees	12.7%
Riomin Gold	6.4%

Directors:

Peter Topham – Executive Chairman

David Ogg – Executive Director

Tom Eadie – Non executive Director

Bruce Pertzelt – Non executive
Director

Highlights

Exploration Programs

Pao drilling commenced during the quarter with two diamond holes completed to 150 metres on a lower priority target area.

The rig is now moving to the first of the main targets – Digyan -- an epithermal vein outcrop where vein samples up to 95 g/t gold have been recorded.

*Drilling to assist with structural interpretation at **Malangza** is due to commence this quarter with drilling to begin on various prospects at **Gambang** once the third phase approvals have been obtained.*

Royalty Interests

Campaign mining continued at Mt Garnet where Kagara Zinc Limited is the operator. CopperCo's Mt Kelly development continued to ramp up. Both royalty interests appear to be on track for revenue generation by the end of this calendar year.

Legal proceedings in the High Court of New Zealand have commenced against a subsidiary of Oceana Gold Limited in reference to the Reefion Gold Project. The issue is not whether the royalty exists but rather when it actually commences. The necessity for this action is disappointing.

Royalco's cash position remains strong - \$7.4 million cash on deposit, a further \$300,000 in listed investments and substantial royalty income scheduled to commence this year.

The delays to the Company's exploration programs have been frustrating to all concerned but we are confident that the potential of the Filipino tenements will be revealed in coming months.

Philippines Exploration

(i) *Pao*

Whilst various NGOs (Non Government Organisations), in part sponsored by the Catholic Church, attempted to prevent access to the tenement, drilling finally started in March.

Approximately 35 kilometres of roadworks were completed to assist with all weather access to the drill sites. Up to 230 porters have assisted with rig mobilisation and five bulldozers sourced from the regional municipalities have contributed to the road upgrades.

Prior to drilling the main targets at the Digyan and Manidyo Prospects, Royalco took the opportunity to drill a coincident aero-magnetic and copper soil anomaly in the southern portion of the tenement.

Each of these holes was cored to 150 metres without encountering any significant visual mineralization. However, the last two metres of the second hole produced specks of native copper. The nature of this mineralisation is currently the subject of interpretation and may merit deeper drilling at a later date. Assay results from these two holes are now awaited.

The rig is now being mobilised to test the Digyan enargite vein outcrop. It has a known strike length of 250 metres and based on an historic hole completed by ARDEC/Cultus towards the southern end has an indicated depth extent of at least 70 metres. A sample of the vein collected by ARDEC/Cultus assayed 95 g/t Au, 272 g/t Ag and 13.6% Cu.



Pao - training new drillers



Native Copper in DDH2

(ii) **Gambang**

The Mines & Geosciences Bureau is processing Royalco's Request for Partial Approval of 986 hectares within the Gambang EPA as covered by the Phase 1 Compliance Certificate issued by the NCIP (the Herman's Find Prospect).

Phase 2 consultations, covering the Manga Prospect, have just been completed with the local residents fully supporting the project. Phase 3 consultations on the Cableway Prospect will commence shortly.

(iii) **Malangza**

Subject to final confirmation of drill rig availability drilling for structural interpretation is due to commence in the current quarter. Advice has been received that all approvals are in place, drill hole location confirmed and a drillers camp is being constructed.

(iv) **Surigao.**

Test pitting and soil sampling has been instigated in the northern part of the tenement to consider any nickel laterite potential.

Royalties

Royalties at both **Mt Kelly** (CopperCo is operator – ASX:CUO) and **Mt Garnet** (Kagara – ASX:KZL) are both subject to production holidays before the royalties become payable. In both instances it appears probable that these holidays will be exhausted later in 2008.

The royalty at **Mt Kelly** is a 1% Net Smelter Return, capped at \$619,000 each on two separate royalty areas.

At **Mt Garnet** there is a 3% Net Smelter Return on the original deposit. Based on Royalco's assessment of the potential effects of this campaign methodology, the royalty could commence during the next campaign season at the end of 2008 on completion of the applicable royalty holiday. Further payments would reflect the nature and extent of ongoing campaigns.

Kagara's most recent quarterly report makes reference to important extensions at **Mt Garnet** following successful drilling results.

During the quarter Royalco Resources Limited (No.1) Pty Ltd, a wholly owned subsidiary of Royalco Resources Limited, commenced legal proceedings in the High Court of New Zealand against Oceana Gold (New Zealand) Limited requiring the payment of 1,250 ounces of gold it believes is now due under the royalty agreement dated 19th May 2006 relating to the **Reefton Gold Project**. This claim is now being amended to 2,500 ounces reflecting the second quarter of royalties owed.

Utilising prevailing gold prices, the **Reefton Gold Project** royalty interest will generate 5,000 ounces of gold per annum (approximately \$A5 million) over a project mine life of approximately seven years.

Under the terms of Royalco's royalty agreement over the **Reefton Gold Project**, royalty payments are payable quarterly commencing six months after the first gold is recovered following the successful commissioning of the plant. The operator, Oceana Gold Corporation (ASX Code:OGC), has previously announced that the Reefton plant has been successfully commissioned and that gold was first produced in March of 2007.

Royalco directors believe that the royalty therefore commenced from 1st October 2007. Payment of the royalty is due within 30 days from each 'payment date', with 'payment dates' being the 15th day of the last month in each quarter following the commencement of the royalty.

The rate of the royalty payment is a sliding scale reflecting the \$NZ gold price through each quarterly period, with adjustments made on an annualised basis utilising the average gold price over set payment dates in each twelve month period.

Any gold recovered from deposits identified outside the Globe Progress tenement in the **Reefton Gold Project** area is subject to an additional royalty calculated on a percentage basis of 1 to 3 per cent dependent on the \$NZ gold price. This would include the Crushington discovery as an example.

Summary of Existing Mineral Royalty Interests

PROJECT	OPERATOR	ROYALTY	COMMODITY
Reefton	Oceana Gold Limited	1-3% ORR	Gold
Mt Garnet	Kagara Zinc Ltd	3% NSR	Zinc, lead, silver
Mt Kelly	CopperCo Limited	1% NSR	Copper, gold
Bowden's	Silver Standard Resources Inc	1-2% NSR	Silver
Stanton	Hydromet Corp Ltd	1% NSR	Nickel, cobalt
Dagworth/Huonfels	Georgetown Mining Limited	1.5% ORR	Gold
Heathcote	Perseverance Corporation Ltd	2.5% ORR	Gold
Xanadu	Pelican Resources Limited	4% ORR	Gold
LFB	Alkane Exploration Ltd	3% NSR	Gold, copper
Lake Margaret	Copper Strike Limited	1% NSR	Copper
Mt Lyndhurst	Syrah Resources Ltd	1.5% NSR	Copper, uranium
Mackenzie/Archie	Syrah Resources Ltd	1.5% NSR	Zinc
Levuka	Syrah Resources Ltd	1.5% NSR	Copper
Munna	Syrah Resources Ltd	1.5% NSR	Gold
Norfolk	Syrah Resources Ltd	1.5% NSR	Zinc

ORR: Overriding Royalty
NSR: Net Smelter Return

Corporate

Cash on deposit at the end of the quarter was \$7.4 million. Investments in Copper Strike Limited and Syrah Resources Limited have a combined market value at 28th April 2008 of approximately \$300,000.

During the quarter, one of the Company's substantial shareholders, Gasmere Pty Ltd, appears to have been involved with Opes Prime on a margin lending facility. This shareholding is now claimed by ANZ Nominees Ltd.

Despite repeated requests we have not been able to ascertain the attitude of ANZ Nominees going forward and whether they are in fact sellers of Royalco shares.

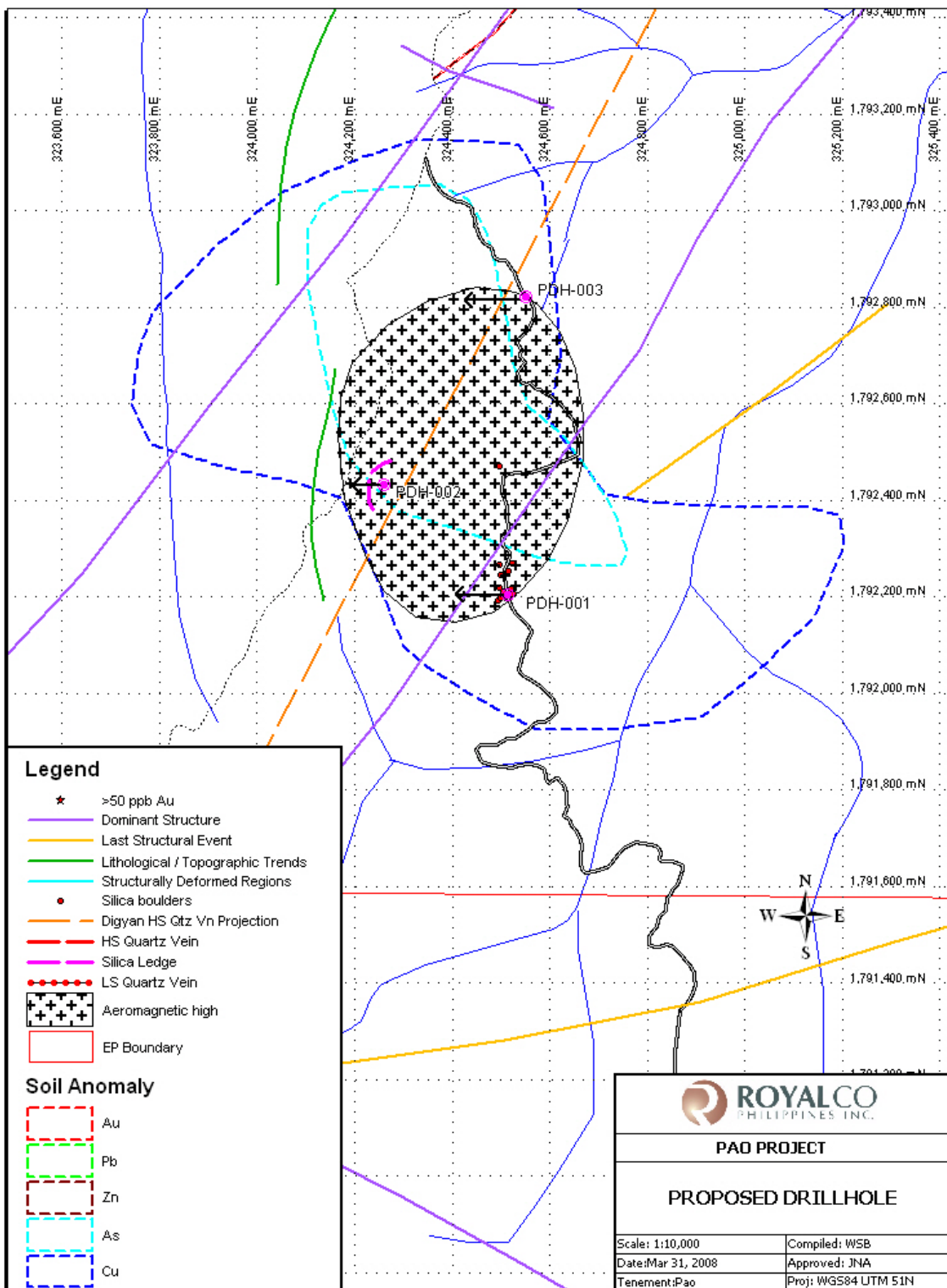
To partially counteract this state of confusion our Board has established a buy back facility and entered the market at a significant discount to prevailing prices. Whilst the Company's financial position remains sound the Board does not feel under any obligation to offer to buy shares to potentially assist ANZ Nominees. Our collective attitude is one of a prudent capital management program.

The Company is now in the process of reviewing its banking arrangements.



Peter J Topham
Executive Chairman

The information in this report as it relates to geology, geochemical, geophysical and exploration results was compiled by Mr Joey Ayson, MAusIMM, who is a Competent Person and has in excess of 5 years experience in the minerals industry and the activities being reported on. Mr Ayson is a full time employee of the Company and consents to the inclusion of this information in the form and context in which it appears in this report.



Drill Holes PDH 1 and PDH 2 (PDH 3 will be considered at a later date)

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Royalco Resources Ltd

ABN

53 096 321 532

Quarter ended ("current quarter")

March 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(459)	(1,067)
(b) development	-	-
(c) production	-	-
(d) administration	(204)	(697)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	134	360
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	6	(144)
	(523)	(1,548)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(102)	(208)
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	88	176
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(14)	(32)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(537)	(1,580)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(537)	(1,580)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	0	0
	Net increase (decrease) in cash held	(537)	(1,580)
1.20	Cash at beginning of quarter/year to date	7,998	9,041
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7,461	7,461

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	146
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	561	269
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank Term Deposits	6,900	7,729
Total: cash at end of quarter (item 1.22)	7,461	7,998

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-		
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

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Appendix 5B
Mining exploration entity quarterly report

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

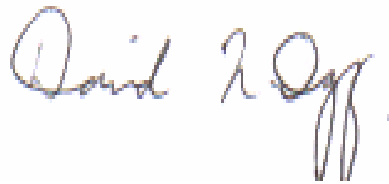
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	56,411,200	47,172,444		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -		
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2950,000 510,000	- -	Exercise price 50 cents 52 cents	Expiry date 31st Mar 2011 31st Mar 2011
7.8 Issued during quarter		-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



29th April 2008

Sign here: Date:
(Company secretary)

Print name: David L Ogg
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Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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