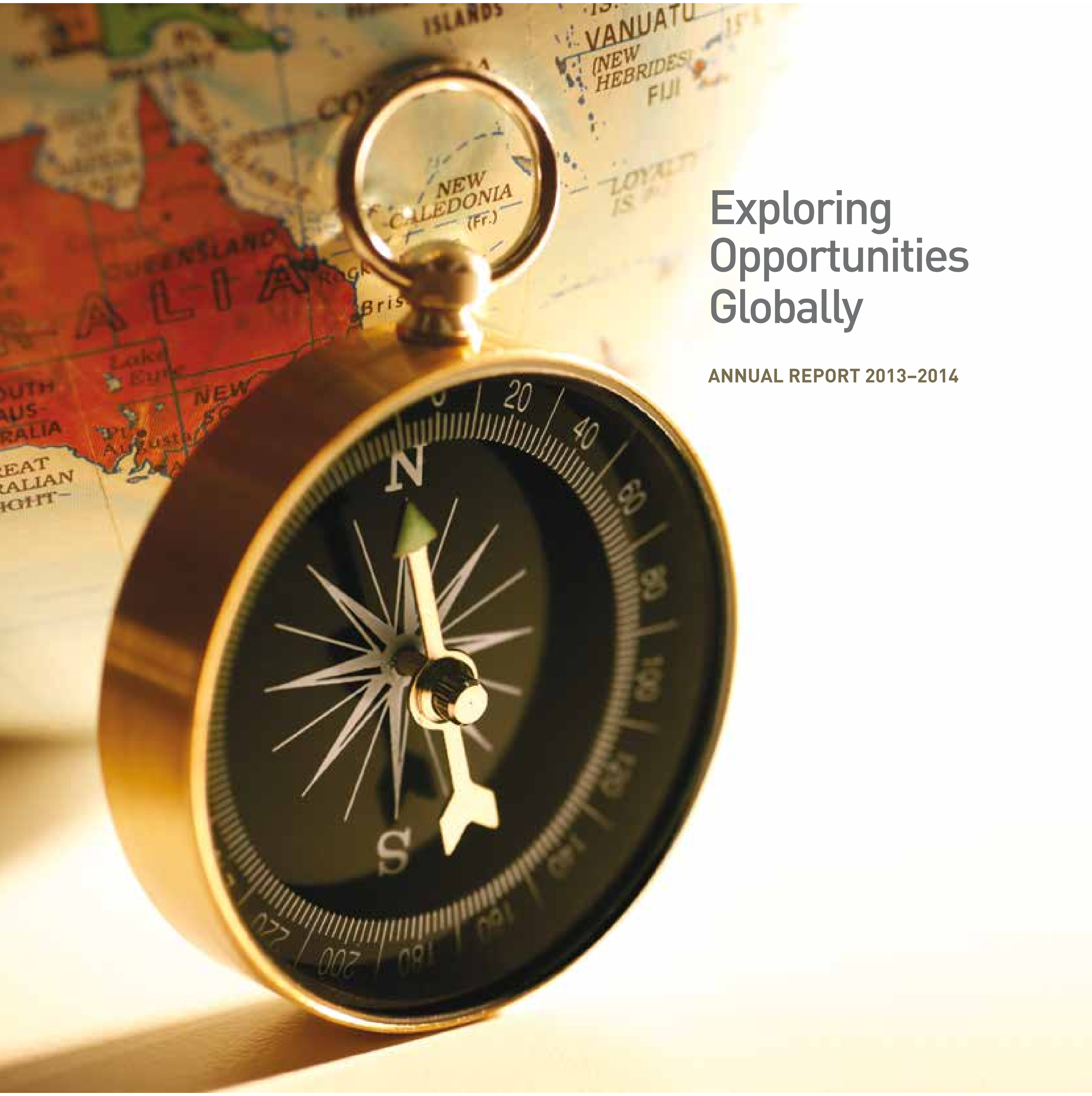

Exploring Opportunities Globally

ANNUAL REPORT 2013–2014

ROYALCO RESOURCES LIMITED

Directors	Mr Peter Topham (Executive Chairman) Mr David Ogg (Non-Executive Director) Mr Bruce Pertzel (Non-Executive Director) Mr Piers Reynolds (Non-Executive Director)
Company secretary	Mr Nick Boicos
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
Auditor	Loren Datt Loren Datt Audit Pty Ltd Suite 304, 22 St Kilda Road St Kilda, 3182
Bankers	ANZ Banking Group 388 Collins Street, Melbourne Victoria 3000 Commonwealth Bank of Australia 367 Collins Street, Melbourne Victoria 3000
Stock exchange listing	Royalco Resources Limited shares are listed on the Australian Securities Exchange (ASX code: RCO)
Website	www.royalco.com.au

The Weeks Petroleum Royalty was consolidated in the 2013-14 financial year as the long term cash flow cornerstone for Royalco's future operations.

Administrative costs were substantially reduced during the year to the level where they were effectively covered by the Weeks Petroleum Royalty income.

Royalco retains a solid cash position at this low point in the commodities cycle, leaving the company well placed to pursue attractive opportunities on a conservative basis. The cash balance at 30 June 2014 was $4.67 million and the company remains debt free.

The loss for the year of $3.28 million, included an impairment charge of $2.50 million which was accrued primarily against exploration costs incurred on the Pao Project in the Philippines.

On the revenue side, as anticipated, the interest in the Weeks Petroleum Royalty generated income of $839,796. The forecast rise in gas prices for the east coast of Australia appears to be coming slowly into play as long term contracts roll into fresh contracts at higher prices. This royalty interest offers both a long life and a commercially significant revenue stream – the only true "Tier 1" petroleum royalty in the Australian market. Royalco is the only Australian-listed entity that offers exposure to this interest.

On the base metals front, Consolidated Tin Mines Limited has announced an acquisition proposal that could result in production resuming at Mount Garnet, in Far North Queensland. A royalty payment applicable to this project is anticipated in the first half of 2015 should the operator meet its projections.

The Blackwater Project in New Zealand is shortly due to receive an update on potential development. This interest has the ability to add significant income to Royalco in the medium term.

As to the other royalty interests, the operator at Bowdens in New South Wales, Kingsgate Consolidated Limited, has provided guidance as to an update on its feasibility study which is now due in the last quarter of the 2014 calendar year.

Commodity prices for mainstream metals and petroleum remain generally subdued, except for East Coast gas mentioned above.

This flat outlook is being felt in capital markets, for the metals sector in particular. This should create opportunities for further advanced exploration involvement in both base and precious metals projects, although patience is required.

We have spent the past year reviewing various exploration projects and have made offers to participate in two separate interests. Neither of these approaches was successful which, to a large degree, reflects inflated values (in our estimation) of real project worth still prevalent among project operators. We shall continue to be patient.

Should suitable investment opportunities arise, we stress that Royalco's longer term involvement with any one project will eventually become passive in nature – i.e. the stake in the project would be either onsold and/or converted to a royalty interest.

In recent times new players have entered the Australian royalty market place, particularly in the petroleum sector. We regard such a development as a healthy sign that our established model works and is worthy of greater recognition within the domestic investment community.

Future dividends remain a priority for the Board but they are subject to corporate profitability, expenditure commitments where appropriate (including acquisitions and new development opportunities) and the availability of franking credits.

The current dividend effectively exhausts the bulk of the franking pool in terms of our ability to pay fully franked dividends in the short term. We remain confident this situation will improve once income becomes payable from future mine developments such as Blackwater or Bowdens.

In the meantime prudent capital management initiatives were undertaken during the year, including the move of foundation director David Ogg to a non-executive capacity and the reduction of the head office costs to match anticipated revenue receipts.

There is no forecast need for any funding requirements and the Company remains on a solid financial footing.

Peter Topham

Royalco Resources Limited
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Royalco Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors
The following persons were directors of Royalco Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Peter Topham (Executive Chairman)
Mr David Ogg (Executive Director until 31 December when he became a Non-Executive Director)
Mr Bruce Pertzel (Non-Executive Director)
Mr Piers Reynolds (Non-Executive Director)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- management of resource based royalties; and
- exploration of mineral tenements in the Philippines; and
- investigating other exploration opportunities.

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2014 $	2013 $
Final dividend for the year ended 30 June 2012 of 2 cents per ordinary share paid on 16 August 2012 fully franked based on a tax rate of 30%	-	1,054,534
Interim dividend for the year ended 30 June 2013 of 2 cents per ordinary share paid on 5 March 2013 fully franked based on a tax rate of 30%	-	1,054,534
Final dividend for the year ended 30 June 2013 of 1 cents per ordinary share paid on 2 September 2013 fully franked based on a tax rate of 30%	527,142	-
Interim dividend for the year ended 30 June 2014 of 1 cents per ordinary share paid on 13 February 2014 fully franked based on a tax rate of 30%	527,142	-
	1,054,284	2,109,068

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,215,873 (30 June 2013: $2,056,655).

Refer to separate detailed review of operations following this Director's report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 4th September the company announced a dividend of one cent per share for the half year ended 30 June 2014, payable on 19th September 2014.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the entity's tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2014.

Information on directors

Name:	Mr Peter Topham
Title:	Executive Chairman
Qualifications:	B.Ec., LLB, M.AusIMM
Experience and expertise:	Peter Topham, experience and expertise- Peter has over 20 years experience as a CEO of junior mining companies. Under his guidance Mineral Commodities was involved with the White Foil gold discovery in Western Australia and the copper discovery at Inheritance in Queensland.In conjunction with David Ogg, Peter established Royalco in 2001. Under his leadership Royalco listed on the ASX in 2006 and has subsequently expanded the company's presence in both mineral exploration and royalty interest ownership.He is a Barrister and Solicitor of the Supreme Court of Victoria but does not carry on practice as such.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	5,570,400 fully paid ordinary shares
Interests in options:	Nil

Name:	Mr David Ogg
Title:	Executive Director and Company Secretary until 31 December when he became Non-Executive Director
Qualifications:	B.Ec. M.AusIMM
Experience and expertise:	Prior to joining Mineral Commodities as an executive Director in 1994, David was involved in a variety of roles in the stockbroking, investment banking and financial services arena. David is a founding director and company secretary of Royalco. More recently he has been company secretary of Copper Strike and Syrah Resources, both positions of which he relinquished in 2011
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit and Remuneration Committees
Interests in shares:	3,960,400 ordinary fully paid shares
Interests in options:	Nil

Name:	Mr Bruce Pertzel
Title:	Non-Executive Director
Qualifications:	B.Sc. (Geol), Dipl. Geosci (Post Grad), F.AusIMM, MAIG, MSEG
Experience and expertise:	Bruce is the Principal of the long established geological consulting firm Pertzel Tahan & Associates Pty Ltd. He established this firm in 1982 following a ten-year engagement with Endeavour Resources Limited during which time he progressed from Project Geologist to Exploration Manager.Bruce has had widespread experience gained over 42 years in exploration activities in the Asia/Pacific and African regions.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Remuneration Committee
Interests in shares:	31,000 fully paid ordinary shares
Interests in options:	None

Name:	Mr Piers Reynolds
Title:	Non-Executive Director
Experience and expertise:	Piers is a qualified geologist with nine years experience in gold and base metals. He also has over 10 years experience as a resource analyst, the last six years of which was spent as an Executive Director of Veritas Securities Limited.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit Committees
Interests in shares:	Nil
Interests in options:	Nil

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	Remuneration Committee
	Attended	Held	Attended	Held	Attended	Held
Mr Peter Topham	6	6	-	-	-	-
Mr David Ogg	6	6	1	1	1	1
Mr Bruce Pertzel	6	6	-	-	1	1
Mr Piers Reynolds	6	6	1	1	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Remuneration Committee ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Non-executive Directors’ fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the Directors retirement or termination. Non-Executive Directors remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Remuneration Committee, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 May 2009, where the shareholders approved an aggregate remuneration of $300,000.

Executive remuneration
In determining the level and make-up of executive remuneration, the Remuneration Committee negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Remuneration Committee may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

The executive remuneration and reward framework has two components
- Fixed remuneration
- Long term incentive portion as deemed appropriate.

All executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Remuneration Committee reviews the Executive Chairman’s remuneration package, and the Executive Chairman reviews the senior executives’ remuneration packages, annually by reference to the Company’s performance, executive performance and comparable information within the industry.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. This policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, executives, staff and specialist consultants who are involved with the business may be invited to participate in the EIOS.

Australian-resident Directors or executives receive a Company paid superannuation contribution, which is currently 9-11% of their cash compensation, and do not receive any other retirement benefits (except salary sacrifice superannuation which is at the discretion of the employee).

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Employee option share plan

Royalco Resources Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Remuneration Committee. Each employee share option converts into one ordinary share in Royalco Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Remuneration Committee.

The purpose of the plan is to provide eligible employees with an incentive to remain with the Company and to improve the longer term performance of the Company and its return to shareholders. It is intended that the plan will enable the Company to retain and attract skilled and experienced employees and provide them with the motivation to make the Company more successful.

Use of remuneration consultants
The company has not made use of remuneration consultants during the current year.

Voting and comments made at the company's 12 November 2013 Annual General Meeting ('AGM')
The company received 53.83% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices. Whilst the motion was passed the company received a first strike for remuneration report purposes.

In these circumstances, the Corporations Act 2001, required the company to include an explanation of the company's actions in response to its first strike.

- Peter Topham's salary was reduced from $325,000 per annum to $275,000 per annum
- Executive Director David Ogg transitioned to a non executive role, providing a reduction in annual remuneration.

The company has not however, amended its overall remuneration policy. The Board remain confident that this policy is suitable for the company and its shareholders.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits		Long-term benefits	
2014	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Termination $	Long Service Leave $	Total $
Non-Executive Directors:							
Mr B Pertzel	42,000	-	-	-	-	-	42,000
Mr P Reynolds	42,000	-	-	-	-	-	42,000
Mr D Ogg *	21,000	-	-	-	-	-	21,000
Executive Directors:							
Mr P Topham	287,645	-	-	25,000	-	(6,508)	306,137
Mr D Ogg *	84,802	-	-	35,000	166,206	-	286,008
Other Key Management Personnel:							
Mr N Boicos *	130,000	-	-	-	-	1,486	131,486
	607,447	-	-	60,000	166,206	(5,022)	828,631

* Mr D Ogg was an Executive Director until 31 December 2013, after this time he has continued as a non-executive director.

N Boicos, D Ogg, P Reynolds, and B Pertzel were paid as consultants during the year.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2013	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr B Pertzel	39,433	-	-	-	-	-	39,433
Mr P Reynolds	40,704	-	-	-	-	-	40,704
Executive Directors:							
Mr P Topham	325,290	-	-	25,000	14,555	-	364,845
Mr D Ogg *	169,604	-	-	25,000	7,607	-	202,211
Other Key Management Personnel:							
Mr N Boicos *	130,000	-	-	-	-	-	130,000
	705,031	-	-	50,000	22,162	-	777,193

* Joint company secretary

N Boicos, D Ogg, C Orchard and B Pertzel were paid as consultants during the prior year.

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Peter Topham
Title:	Executive Chairman
Agreement commenced:	1 January 2014
Details:	Either party may terminate the employment contract with cause by giving 12 months written notice. The Company may terminate the contact at any time without notice if serious misconduct has occurred. The amount of payment in lieu is to be calculated based on the average annual salary that the Executive received from the Employer over the 3 year period prior to the termination being equal to the maximum amount payable under Part 2D.2 of the Corporations Act without shareholder approval but no more than this maximum. On termination of the agreement Mr Topham will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2014.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 $	2011 $	2012 $	2013 $	2014 $
Sales revenue	9,739,095	9,691,676	10,511,083	3,353,833	1,035,858
EBITDA	5,681,258	7,982,644	6,725,196	(2,553,451)	(2,853,808)
Profit/(loss) after income tax	2,919,966	5,647,507	5,274,847	(2,056,655)	(3,215,873)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2010	2011	2012	2013	2014
Share price at financial year end ($)	0.33	0.39	0.52	0.37	0.24
Total dividends declared (cents per share)	10.00	2.00	4.00	4.00	2.00
Basic earnings per share (cents per share)	5.54	10.71	10.01	(3.90)	(6.10)

* a 10 cent a share capital distribution was paid in the 2010 financial year.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr P Topham	5,530,400	-	40,000	-	5,570,400
Mr D Ogg	3,960,400	-	-	-	3,960,400
Mr B Pertzel	25,000	-	6,000	-	31,000
	9,515,800	-	46,000	-	9,561,800

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of Royalco Resources Limited under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Royalco Resources Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company has not paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor
The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Loren Datt
There are no officers of the company who are former audit partners of Loren Datt.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
Loren Datt continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Topham
Executive Chairman

12 September 2014
Melbourne

(a) Royalties

PROJECT	OPERATOR	ROYALTY	COMMODITY
Weeks Petroleum	Exxon	1% of 2.5%	Hydrocarbons
Reefton-Blackwater	OceanaGold Limited	1-3% ORR	Gold
Sam's Creek	MOD Resources Limited	1% ORR	Gold
Mt Garnet	Snow Peak/CSD JV	3% NSR	Zinc
Bowdens	Kingsgate Consolidated Ltd	1–2 % NSR	Silver
Stanton	Private	1% NSR	Nickel, cobalt
Red Dam	Private	1.5% ORR	Gold, silver
LFB	Regis Resources Ltd	3% NSR	Gold, copper
Uganda	Private	1.55 % NSR	Gold
Mt Lyndhurst	Syrah Resources Ltd	1.5% NSR	Copper

Royalco owns a 1% interest in the ***Weeks Petroleum Royalty*** (the equivalent of a 0.025% over-riding royalty from the entire hydrocarbon production of the main Bass Strait fields).

The ***Weeks Petroleum Royalty*** covers approximately 20 oil and/or gas fields in the Offshore Gippsland Basin. The Exxon/BHPB facilities covered by this royalty have been in production for more than 40 years with the prospect of production for decades to come. Unlike the limited number of other Australian hydrocarbon royalties, it can be classified as a “Tier 1” royalty as the underlying project area continues to offer both long life and commercially significant returns.

Consolidated Tin Mines Limited (CSD) has indicated it wishes to resume production from the ***Mt Garnet*** base metals mine this financial year, following acquisition of the mine from Snow Peak Mining Pty Ltd. CSD has announced to the ASX a proposal to acquire all of Snow Peak’s assets, subject to shareholder approval.
Production guidance is for 80,000 tonnes at 9.6% zinc, 0.3% copper and 21 grams per tonne silver. Based on the existing 3% net smelter return applicable to production and prevailing commodity prices, a return of approximately $200,000 is anticipated.

As previously advised, the operator at ***Reefton*** in New Zealand, Oceana Gold Ltd (OGC), has provided an upgraded Inferred Resource estimate for the ***Blackwater Deposit*** of 600,000 high grade ounces of gold, with a prefeasibility study now due. The conclusion of this study will be, not surprisingly, highly dependent on the current spot price for the yellow metal and its future outlook – neither is particularly positive in the prevailing commodity price climate. Of note, historical guidance from the scoping studies for Blackwater suggested an annual production rate of 50,000 to 60,000 ounces. If achieved, and using the current spot price for gold, Royalco would receive 1500-1800 ounces annually, or approximately $2.1-$2.5 million a year.

The ***Bowdens Project*** in central NSW, where Kingsgate Consolidated Limited (KCN) is the operator, falls into a similar category to ***Blackwater*** – being reliant to a large degree on prevailing and forecast commodity prices (silver in this instance). The Royalco royalty interest in this project starts at a 2% net smelter return until $US5 million has been received, then reverts to a 1% net smelter return for the life of the mine.

At the ***Sam’s Creek Project*** in New Zealand, where Royalco holds a 1% royalty interest, MOD Resources Limited (MOD) has previously reported a resource in excess of 1 million ounces of gold, although little activity has been disclosed in the year to date.

In Uganda, the transfer of tenements to Blackstone Ichi Ban Limited has been the subject of bureaucratic ineptitude and we have little confidence that the administrative issues raised by the local authorities can be overcome in a timely or cost effective manner.

No advice as to any activities of substance has been received for the royalty interests held at Stanton, LFB, Mt Lyndhurst or Red Dam.

(b) Exploration

In the Philippines, exploration activities are on hold pending Phase 3 renewal of tenements. This phase covers the Cableway Prospect which is the highest priority target in the Gambang tenement. The Mines and Geosciences Bureau ("MGB") has effectively shut down the processing of tenement renewals despite verbal assurances to the contrary. No indication has been provided as to when this informal moratorium can be expected to be lifted. Only two fresh exploration permits have been advanced by the MGB in the past two years.

At the Pao Project in Nueva Viscaya, diamond drilling was completed in 2013 without encountering any significant mineralisation. Of the five holes in the program, the first was aimed at the copper potential of the Digyan vein system at depth, holes two and three targeted the gold potential of these veins, and the fourth and fifth holes attempted to identify the copper porphyry potential of the Manidyo prospect.

The Pao Project drilling program demonstrated that the high-sulphidation mineralised vein system that exists at surface and in historic shallow drill holes persists at depth but is poorly developed – vein widths are narrow and the tenor of mineralisation is low.

This tenement has now been relinquished and no further exploration activities are being conducted in the Philippines pending renewal of Phase 3 Gambang..

LorenDattAudit
AUDIT & ASSURANCE

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
FOR THE YEAR ENDED 30 JUNE 2014

As lead auditor for the audit of Royalco Resources Limited for the year ended 30 June 2014, 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.

L Datt

LOREN DATT
Registered Company Auditor
Registration: 339204

Dated: 12 September 2014

Contents

General information

The financial statements cover Royalco Resources Limited as a consolidated entity consisting of Royalco Resources Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Royalco Resources Limited's functional and presentation currency.

Royalco Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
394-396 Little Bourke Street
Melbourne Victoria 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 September 2014. The directors have the power to amend and reissue the financial statements.

Royalco Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	4	1,035,858	3,353,833
Expenses			
Administrative costs		(865,054)	(822,429)
Employee benefits expense		(467,698)	(522,423)
Depreciation expense	5	(6,993)	(1,620)
Impairment of investments		(24,000)	-
Impairment of exploration assets		(2,503,507)	(3,451,162)
Amortisation of royalty rights		(425,000)	(81,928)
Impairment of goodwill		-	(418,035)
Loss before income tax (expense)/benefit		(3,256,394)	(1,943,764)
Income tax (expense)/benefit	6	40,521	(112,891)
Loss after income tax expense for the year attributable to the owners of Royalco Resources Limited	23	(3,215,873)	(2,056,655)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(62,930)	5,287
Other comprehensive income for the year, net of tax		(62,930)	5,287
Total comprehensive income for the year attributable to the owners of Royalco Resources Limited		(3,278,803)	(2,051,368)
		Cents	**Cents**
Basic earnings per share	36	(6.10)	(3.90)
Diluted earnings per share	36	(6.10)	(3.90)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current assets			
Cash and cash equivalents	7	4,671,803	7,401,360
Trade and other receivables	8	313,452	277,773
Income tax refund due	9	-	35,776
Total current assets		4,985,255	7,714,909
Non-current assets			
Receivables	10	-	213
Property, plant and equipment	11	35,230	27,630
Intangibles	12	8,028,105	8,453,456
Exploration and evaluation	13	632,841	1,939,317
Deferred tax	14	-	134,109
Other financial assets	15	24,000	-
Other	16	11,983	78,233
Total non-current assets		8,732,159	10,632,958
Total assets		13,717,414	18,347,867
Liabilities			
Current liabilities			
Trade and other payables	17	136,342	20,009
Employee benefits	18	248,914	310,773
Total current liabilities		385,256	330,782
Non-current liabilities			
Deferred tax	19	-	174,403
Employee benefits	20	2,931	180,368
Total non-current liabilities		2,931	354,771
Total liabilities		388,187	685,553
Net assets		13,329,227	17,662,314
Equity			
Issued capital	21	12,321,611	12,321,611
Reserves	22	(71,147)	(8,217)
Retained profits	23	1,078,763	5,348,920
Total equity		13,329,227	17,662,314

The above statement of financial position should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	**Contributed Equity $**	**Retained Earnings $**	**Foreign Currency Reserve $**	**Total equity $**
Balance at 1 July 2012	12,321,611	9,514,643	(13,504)	21,822,750
Loss after income tax (expense)/benefit for the year	-	(2,056,655)	-	(2,056,655)
Other comprehensive income for the year, net of tax	-	-	5,287	5,287
Total comprehensive income for the year	-	(2,056,655)	5,287	(2,051,368)
Transactions with owners in their capacity as owners:				
Dividends paid (note 24)	-	(2,109,068)	-	(2,109,068)
Balance at 30 June 2013	12,321,611	5,348,920	(8,217)	17,662,314

Consolidated	**Contributed Equity $**	**Retained Earnings $**	**Foreign Currency Reserve $**	**Total equity $**
Balance at 1 July 2013	12,321,611	5,348,920	(8,217)	17,662,314
Loss after income tax (expense)/benefit for the year	-	(3,215,873)	-	(3,215,873)
Other comprehensive income for the year, net of tax	-	-	(62,930)	(62,930)
Total comprehensive income for the year	-	(3,215,873)	(62,930)	(3,278,803)
Transactions with owners in their capacity as owners:				
Dividends paid (note 24)	-	(1,054,284)	-	(1,054,284)
Balance at 30 June 2014	12,321,611	1,078,763	(71,147)	13,329,227

The above statement of changes in equity should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,415,244)	(1,192,746)
Interest received		222,138	691,328
Royalties received		737,783	105,342
Income taxes refunded		36,003	-
Income taxes paid		-	(577,506)
Net cash used in operating activities	35	(419,320)	(973,582)
Cash flows from investing activities			
Payments for investments		(48,000)	-
Payments for intangibles	12	-	(8,500,876)
Payments for exploration and evaluation		(1,198,692)	(1,972,213)
Payments for property, plant and equipment		(9,261)	(10,425)
Proceeds from sale of financial assets		-	3,405,905
Payments for financial assets		-	(412,200)
Net cash used in investing activities		(1,255,953)	(7,489,809)
Cash flows from financing activities			
Dividends paid	24	(1,054,284)	(2,109,068)
Net cash used in financing activities		(1,054,284)	(2,109,068)
Net decrease in cash and cash equivalents		(2,729,557)	(10,572,459)
Cash and cash equivalents at the beginning of the financial year		7,401,360	17,973,819
Cash and cash equivalents at the end of the financial year	7	4,671,803	7,401,360

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Royalco Resources Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Royalco Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Royalco Resources Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Royalties
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable the economic benefits will flow to the group and the amount can be reliably measured). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty agreements that are based on production, sales and other measures, are recognised by reference to the underlying agreement.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Note 1. Significant accounting policies (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Royalty Rights
Royalty rights acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Note 1. Significant accounting policies (continued)

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Royalco Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments: management of resource based royalties and exploration activities. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Refer below for a brief description of each segment
The principal products and services of each of these operating segments are as follows:

Royalty Management	manages a portfolio of resource based royalty rights held in Australia and New Zealand.
Exploration	explores mineral tenements in the Philippines

Operating segment information

Consolidated - 2014	Royalty Management $	Exploration $	Intersegment eliminations/ unallocated $	Total $
Revenue				
Sales to external customers	839,796	-	196,062	1,035,858
Total revenue	839,796	-	196,062	1,035,858
EBITDA	839,796	(128,424)	(1,037,673)	(326,301)
Depreciation and amortisation				(431,993)
Impairment of assets				(2,527,507)
Interest revenue				29,407
Loss before income tax benefit				(3,256,394)
Income tax benefit				40,521
Loss after income tax benefit				(3,215,873)
Assets				
Segment assets	8,284,074	700,442	4,732,898	13,717,414
Total assets				13,717,414
Total assets includes:				
Acquisition of non-current assets	-	1,197,031	-	1,197,031
Liabilities				
Segment liabilities	-	65,736	322,451	388,187
Total liabilities				388,187

Note 3. Operating segments (continued)

Consolidated - 2013	Royalty Management $	Exploration $	Intersegment eliminations/ unallocated $	Total $
Revenue				
Sales to external customers	1,747,374	372,533	1,233,926	3,353,833
Total revenue	1,747,374	372,533	1,233,926	3,353,833
EBITDA	1,747,374	299,048	(37,441)	2,008,981
Depreciation and amortisation				(83,548)
Impairment of assets				(3,869,197)
Loss before income tax expense				(1,943,764)
Income tax expense				(112,891)
Loss after income tax expense				(2,056,655)
Assets				
Segment assets	8,607,062	1,939,317	7,801,488	18,347,867
Total assets				18,347,867
Total assets includes:				
Acquisition of non-current assets	8,500,000	1,983,355	-	10,483,355
Liabilities				
Segment liabilities	-	-	685,553	685,553
Total liabilities				685,553

Note 4. Revenue

	Consolidated 2014 $	Consolidated 2013 $
Sales revenue		
Royalty	839,796	1,747,374
Option fee received on Filipino tenements	-	372,533
	839,796	2,119,907
Other revenue		
Interest	196,062	693,235
Other revenue	-	540,691
	196,062	1,233,926
Revenue	1,035,858	3,353,833

Other income in the prior year includes a $535,984 gain on the sale of listed investments.

Note 5. Expenses

	Consolidated	
	2014	2013
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	6,701	1,620
Amortisation		
Software	292	351
Royalty rights	425,000	81,928
Total amortisation	425,292	82,279
Total depreciation and amortisation	431,993	83,899
Impairment		
Exploration and evaluation	2,503,507	3,451,162
Goodwill	-	418,035
Shares in Australian listed entity	24,000	-
Total impairment	2,527,507	3,869,197
Superannuation expense		
Defined contribution superannuation expense	60,000	50,000

Note 6. Income tax expense/(benefit)

	Consolidated 2014 $	Consolidated 2013 $
Income tax expense/(benefit)		
Current tax	(376,628)	736,579
Deferred tax - origination and reversal of temporary differences	(40,294)	(623,688)
Net prior year adjustments	126	-
Effect of deferred tax balances not recognised	(13,331)	-
Amounts not recognised	389,606	-
Aggregate income tax expense/(benefit)	(40,521)	112,891
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 14)	134,109	(39,215)
Decrease in deferred tax liabilities (note 19)	(174,403)	(584,473)
Deferred tax - origination and reversal of temporary differences	(40,294)	(623,688)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit	(3,256,394)	(1,943,764)
Tax at the statutory tax rate of 30%	(976,918)	(583,129)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	34,112	3,510
Foreign loss of subsidiary not recognised	512,780	692,510
	(430,026)	112,891
Current year tax losses not recognised	389,379	-
Net prior year adjustments	126	-
Income tax expense/(benefit)	(40,521)	112,891

Note 7. Current assets - cash and cash equivalents

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank	4,671,803	7,401,360

Note 8. Current assets - trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Other receivables	27,842	68,100
Royalties receivable	256,203	154,190
Interest receivable	29,407	55,483
	313,452	277,773

All royalties receivable have been received within agreed terms during the year and since year end.

Note 9. Current assets - income tax refund due

	Consolidated 2014 $	Consolidated 2013 $
Income tax refund due	-	35,776

Note 10. Non-current assets - receivables

	Consolidated 2014 $	Consolidated 2013 $
Other receivables	-	213

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2014 $	Consolidated 2013 $
Plant and equipment - at cost	64,768	55,507
Less: Accumulated depreciation	(29,538)	(27,877)
	35,230	27,630

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant & Equipment $	Total $
Balance at 1 July 2012	18,533	18,533
Additions	10,425	10,425
Depreciation expense	(1,328)	(1,328)
Balance at 30 June 2013	27,630	27,630
Additions	9,261	9,261
Depreciation expense	(1,661)	(1,661)
Balance at 30 June 2014	35,230	35,230

Note 12. Non-current assets - intangibles

	Consolidated 2014 $	Consolidated 2013 $
Software - at cost	36,121	36,121
Less: Accumulated amortisation	(35,888)	(35,537)
	233	584
Royalty rights - at cost	8,819,738	8,819,738
Less: Accumulated amortisation	(791,866)	(366,866)
	8,027,872	8,452,872
	8,028,105	8,453,456

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Software $	Royalty Rights $	Goodwill $	Total $
Balance at 1 July 2012	-	34,800	418,035	452,835
Additions	876	8,500,000	-	8,500,876
Impairment of assets	-	-	(418,035)	(418,035)
Amortisation expense	(292)	(81,928)	-	(82,220)
Balance at 30 June 2013	584	8,452,872	-	8,453,456
Amortisation expense	(351)	(425,000)	-	(425,351)
Balance at 30 June 2014	233	8,027,872	-	8,028,105

During the prior year the company paid $8.5 million for a 1% interest in the Weeks Petroleum Royalty entitling it to 0.025% over-riding royalty from the relevant hydrocarbon production of the Bass Strait region. This board have determined that this royalty right will be amortised on a straight line basis over 20 years. The Company has assessed the recoverable amount of the royalty rights and is satisfied that they are not impaired.

During the prior year the company assessed the recoverable amount of goodwill and determined that the goodwill associated with the consolidated entity's exploration expenditure in the Philippines (representing 100%) was fully impaired.

Note 13. Non-current assets - exploration and evaluation

	Consolidated 2014 $	Consolidated 2013 $
Exploration and evaluation assets	632,841	1,939,317

Note 13. Non-current assets - exploration and evaluation (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration $	Total $
Balance at 1 July 2012	3,407,124	3,407,124
Additions	1,983,355	1,983,355
Impairment of assets	(3,451,162)	(3,451,162)
Balance at 30 June 2013	1,939,317	1,939,317
Additions	1,197,031	1,197,031
Impairment of assets	(2,503,507)	(2,503,507)
Balance at 30 June 2014	632,841	632,841

During the current year, the company has relinquished its Pao tenement, and for this reason it has been impaired in full.

During the prior year the directors have resolved to impair the company's Yabbe tenement in full and have also recognised an impairment writing, the Gambang tenement down to $500,000.

Note 14. Non-current assets - deferred tax

	Consolidated	
	2014 $	**2013 $**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	376,628	-
Employee benefits	56,324	93,232
Accrued expenses	7,553	6,600
Property, plant and equipment	386	524
Royalty rights	4,663	5,983
Deductible capital costs	20,828	27,770
Revaluations	8,908	-
Amount not recognised	(475,290)	-
Deferred tax asset	-	134,109
Amount expected to be recovered after more than 12 months	-	134,109
Movements:		
Opening balance	134,109	94,894
Credited/(charged) to profit or loss (note 6)	(134,109)	39,215
Closing balance	-	134,109

Note 15. Non-current assets - other financial assets

	Consolidated 2014 $	Consolidated 2013 $
Shares in Australian listed entity	24,000	-

During the year the company acquired shares in an Australian listed entity. This investment has been restated at the year end market value.

Note 16. Non-current assets - other

	Consolidated 2014 $	Consolidated 2013 $
Security deposits	11,983	78,233

Note 17. Current liabilities - trade and other payables

	Consolidated 2014 $	Consolidated 2013 $
Trade payables	11,365	706
Other payables	124,977	19,303
	136,342	20,009

Refer to note 25 for further information on financial instruments.

Note 18. Current liabilities - employee benefits

	Consolidated 2014 $	Consolidated 2013 $
Employee benefits	248,914	310,773

Note 19. Non-current liabilities - deferred tax

	Consolidated 2014 $	Consolidated 2013 $
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Exploration expenditure	-	111,500
Interest receivable	8,822	16,645
Royalty receivable	76,862	46,258
Amounts not recognised	(85,684)	-
Deferred tax liability	-	174,403
Amount expected to be settled after more than 12 months	-	174,403
Movements:		
Opening balance	174,403	758,876
Charged to profit or loss (note 6)	(174,403)	(584,473)
Closing balance	-	174,403

Note 20. Non-current liabilities - employee benefits

	Consolidated 2014 $	Consolidated 2013 $
Employee benefits	2,931	180,368

Note 21. Equity - issued capital

	Consolidated 2014 Shares	2013 Shares	2014 $	2013 $
Ordinary shares - fully paid	52,714,183	52,714,183	12,321,611	12,321,611

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 21. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

Note 22. Equity - reserves

	Consolidated	
	2014	**2013**
	$	**$**
Foreign currency reserve	(71,147)	(8,217)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $	Total $
Balance at 1 July 2012	(13,504)	(13,504)
Foreign currency translation	5,287	5,287
Balance at 30 June 2013	(8,217)	(8,217)
Foreign currency translation	(62,930)	(62,930)
Balance at 30 June 2014	(71,147)	(71,147)

Note 23. Equity - retained profits

	Consolidated	
	2014	**2013**
	$	**$**
Retained profits at the beginning of the financial year	5,348,920	9,514,643
Loss after income tax expense for the year	(3,215,873)	(2,056,655)
Dividends paid (note 24)	(1,054,284)	(2,109,068)
Retained profits at the end of the financial year	1,078,763	5,348,920

Note 24. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2014 $	2013 $
Final dividend for the year ended 30 June 2012 of 2 cents per ordinary share paid on 16 August 2012 fully franked based on a tax rate of 30%	-	1,054,534
Interim dividend for the year ended 30 June 2013 of 2 cents per ordinary share paid on 5 March 2013 fully franked based on a tax rate of 30%	-	1,054,534
Final dividend for the year ended 30 June 2013 of 1 cents per ordinary share paid on 2 September 2013 fully franked based on a tax rate of 30%	527,142	-
Interim dividend for the year ended 30 June 2014 of 1 cents per ordinary share paid on 13 February 2014 fully franked based on a tax rate of 30%	527,142	-
	1,054,284	2,109,068

Franking credits

	Consolidated	
	2014 $	2013 $
Franking credits available at the reporting date based on a tax rate of 30%	788,505	1,256,996
Franking credits available for subsequent financial years based on a tax rate of 30%	788,505	1,256,996
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(225,917)	(225,917)
Net franking credits available based on a tax rate of 30%	562,588	1,031,079

Note 25. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 25. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
Consolidated	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Filipino peso	700,442	1,797,067	65,930	680,920

Refer to the below table for a sensitivity analysis in relation the consolidated entity's exposure to foreign exchange risk.

	AUD strengthened			AUD weakened		
Consolidated - 2014	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Filipino peso	30%	-	190,354	30%	-	(190,354)

	AUD strengthened			AUD weakened		
Consolidated - 2013	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Filipino peso	30%	-	334,844	30%	-	(334,844)

Price risk
The consolidated entity is exposed to price risk in relation to its shares held in listed investments.

	Average price increase			Average price decrease		
Consolidated - 2014	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Shares in Australian listed entity	50%	12,000	12,000	50%	(12,000)	(12,000)

Interest rate risk
The consolidated entity is exposed to interest rate risk on its cash holdings. The consolidated entity does not have any interest bearing liabilities

Refer below for a sensitivity analysis in relation to the consolidated entity's exposure to interest rate risk,

	Basis points increase			Basis points decrease		
Consolidated - 2014	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash at bank	100	46,718	46,718	100	(46,718)	(46,178)

	Basis points increase			Basis points decrease		
Consolidated - 2013	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash at bank	100	74,013	74,013	100	(74,013)	(74,013)

Note 25. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	136,342	-	-	-	136,342
Employee benefits	-%	248,914	-	-	2,931	251,845
Total non-derivatives		385,256	-	-	2,931	388,187

Consolidated - 2013	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	20,009	-	-	-	20,009
Employee benefits	-%	310,773	-	-	180,368	491,141
Total non-derivatives		330,782	-	-	180,368	511,150

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	607,447	705,031
Post-employment benefits	60,000	50,000
Long-term benefits	(5,022)	22,162
Termination benefits	166,206	-
	828,631	777,193

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Loren Datt, the auditor of the company:

	Consolidated	
	2014 $	2013 $
Audit services - Loren Datt		
Audit or review of the financial statements	30,500	35,000

Note 28. Contingent liabilities

	Consolidated	
	2014 $	2013 $
Bank guarantees	79,250	-

Note 29. Commitments

	Consolidated	
	2014 $	2013 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	70,000	17,580
One to five years	87,499	-
	157,499	17,580

Operating lease commitments includes contracted amounts for the company's Melbourne office.

In order to maintain current right of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the Filipino Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment.

Note 30. Related party transactions

Parent entity
Royalco Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2014 **$**	**2013** **$**
Payment for other expenses:		
Directors fees (including severance) paid to David Ogg and Associates (an entity associated with Mr David Ogg)	309,584	169,604
Directors fees paid to Alpha Unicorn Company Pty Ltd (an entity associated with Mr Bruce Pertzel)	42,000	39,433
Consulting fees paid to Veritas Securities Ltd (an entity associated with Mr Piers Reynolds)	-	130,000
Directors fees paid to Mad Fish Management Pty Ltd (an entity associated with Mr Piers Reynolds)	42,000	40,704
Consulting fees paid to Alpha Unicorn Company Pty Ltd (an entity associated with Mr Bruce Pertzel)	59,038	104,688

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Unused credit facilities

	Consolidated	
	2014 **$**	**2013** **$**
Unused credit facility		
Total unutilised credit card facility	60,000	60,000

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2014 $	Parent 2013 $
Profit/(loss) after income tax	(1,512,550)	235,910
Total comprehensive income	(1,512,550)	235,910

Statement of financial position

	Parent 2014 $	Parent 2013 $
Total current assets	4,896,038	7,451,910
Total assets	16,367,129	19,119,257
Total current liabilities	317,502	328,394
Total liabilities	317,502	502,797
Equity		
Issued capital	12,321,611	12,321,611
Retained profits	3,728,016	6,294,849
Total equity	16,049,627	18,616,460

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Royalco Philippines Inc	Philippines	100.00%	100.00%
Ginto Minerals Pty Ltd	Australia	100.00%	100.00%
Royalco Resources (No1) Pty Ltd	Australia	100.00%	100.00%
Royalco Resources Cambodia Ltd	Cambodia	-%	100.00%
Royalco Mining PLC	Ethiopia	100.00%	100.00%

Note 34. Events after the reporting period

On 4th September the company announced a dividend of one cent per share for the half year ended 30 June 2014, payable on 19th September 2014.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2014 $	2013 $
Loss after income tax expense for the year	(3,215,873)	(2,056,655)
Adjustments for:		
Depreciation and amortisation	431,993	83,548
Non cash royalties net of withholding tax	-	(2,453,014)
Impairment of exploration expenditure	2,503,507	3,451,162
Profit on sale of financial assets	-	(540,691)
Employee entitlements	(239,296)	81,989
Impairment of goodwill	-	418,035
Impairment of investments	24,000	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(35,466)	1,249,304
Decrease/(increase) in deferred tax assets	134,109	(39,215)
Increase/(decrease) in trade and other payables	116,333	(1,454)
Increase/(decrease) in provision for income tax	35,776	(209,585)
Decrease in deferred tax liabilities	(174,403)	(584,473)
Decrease in other operating liabilities	-	(372,533)
Net cash used in operating activities	(419,320)	(973,582)

Note 36. Earnings per share

	Consolidated	
	2014 $	2013 $
Loss after income tax attributable to the owners of Royalco Resources Limited	(3,215,873)	(2,056,655)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	52,714,183	52,714,183
Weighted average number of ordinary shares used in calculating diluted earnings per share	52,714,183	52,714,183
	Cents	**Cents**
Basic earnings per share	(6.10)	(3.90)
Diluted earnings per share	(6.10)	(3.90)

Note 37. Share-based payments

There were no share based payments made in the 2014 or 2013 financial year.

Royalco Resources Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Topham
Executive Chairman

12 September 2014
Melbourne

LorenDattAudit
AUDIT & ASSURANCE

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF ROYALCO RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Royalco Resources Limited, which comprises the statements of financial position as at 30 June 2014, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Royalco Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

LorenDattAudit
AUDIT & ASSURANCE

Opinion

In our opinion:

a) the financial report of Royalco Resources Limited is in accordance with the Corporations Act 2001, including:

   1. giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2014 and of their performance for the year ended on that date; and

   2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the consolidated financial statements and notes in the financial report also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Royalco Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

LOREN DATT
Registered Company Auditor
Registration: 339204

Dated: 12 September 2014

The below shareholder information was applicable as at 5 September 2014.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	34
1,001 to 5,000	164
5,001 to 10,000	129
10,001 to 100,000	279
100,001 and over	42
	648
Holding less than a marketable parcel	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Pershing Australian Nominees Pty Ltd	12,938,150	24.54
HSBC Custody Nominees Australia Ltd	5,548,612	10.53
Keryn Anne Topham	4,530,000	8.59
JP Morgan Nominees Pty Ltd	3,763,227	7.14
Bell Potter Nominees Ltd	2,500,000	4.74
Meballa Pty Ltd	2,400,000	4.55
Tara SF PL	1,200,000	2.28
David Ogg and Associates Pty Ltd	690,000	1.31
Mianer Pty Ltd	680,000	1.29
Porthill Resources Pty Ltd	530,400	1.01
Super Klein Pty Ltd	500,000	0.95
Henry Jacobs Geelong Pty Ltd	475,000	0.90
Errol Goldschmidt	359,239	0.68
Miriam Tatarka	300,000	0.57
P & K Topham	290,000	0.55
Whorouly Pty Ltd	270,000	0.51
Dorran Pty Ltd	250,000	0.47
David Ogg	240,000	0.46
HFA Administration PL	201,000	0.38
Kerchas Investments Pty Ltd	200,000	0.38
	37,865,628	71.83

Unquoted equity securities
There are no unquoted equity securities.

Royalco Resources Limited
Shareholder information
30 June 2014

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Anglo Pacific Group PLC	15,816,150	30.00
Acorn Capital Ltd	7,850,000	14.89
Keryn Anne Topham and Associates	5,570,000	10.57
David Lindsay Ogg and Associates	3,960,400	7.51

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

The Board of Directors ("the Board") of Royalco Resources Limited ("the Company") supports the establishment and ongoing development of good corporate governance policies, that are compatible with the Company's size and which ensure an appropriate level of accountability to shareholders and other stakeholders.

A description of the Company's main corporate governance practices is set out below. It is also accessible at the Company's website www.royalco.com.au under the "Corporate" tag which has a sub heading for corporate governance.

Recommendation 1.1: Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Company's activities are currently not of a sufficient size nor are its affairs of such complexity to justify the employment of full-time management personnel. Accordingly most of the functions of management are undertaken by consultants under the supervision of the Executive Chairman who is responsible for management activities under delegated authority of the Board. The functions specifically reserved for the full Board are as follows:

a) Setting and monitoring of objectives, goals and strategic direction with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters;

b) Approving budgets and monitoring financial performance;

c) Identifying significant business risks and ensuring that these are appropriately managed;

d) Approval of any significant asset acquisitions or disposals;

e) Selection and appointment of new Directors; and

f) Appointment and removal of the Executive Chairman.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.

The performance of all Directors, and senior executives is reviewed at least annually. The remuneration committee evaluates the performance of the Executive Chairman and any other senior executives having regard to such things as:

a) The responsibilities of the executive;

b) Performance against budget;

c) Any communicated key performance indicators; and

d) Qualitative as well as quantitative measures
.
No Director or senior executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.

A review of the performance of the Board, its Directors and senior executives was carried out in December 2013, and was undertaken in accordance with the above policy.

Recommendation 2.1: A majority of the Board should be independent Directors.

During the year the company underwent a restructure of the Board. After this restructure the Board now comprises of one executive director and three independent non-executive directors.

.

Recommendation 2.2: The Chairperson should be an independent director.

Mr Peter Topham, the Executive Chairman, is not an independent Director. Whilst the Board recognises that it is desirable for the Chairman to be an independent director, the Company's current early stage of development and size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an independent Chairperson should the Company's size and growth warrant this.

Recommendation 2.3: The roles of chair and Chief Executive Officer should not be exercised by the same individual.

As noted, Mr Peter Topham is the Executive Chairman of the Company. For similar reasons expressed in relation to recommendation 2.2, the existing arrangement is the most efficient mode of operation at the current time for the Company's early stage of development and size. The Board will review the appointment of a separate Chairperson should the Company's size and growth warrant this.

Recommendation 2.4: The Board should establish a nomination committee.

During the current year the Board established a remuneration committee. The remuneration committee undertakes the process of reviewing the skill base and experience of existing Directors and the identification of attributes required in new Directors. The remuneration committee reviews succession plans, appointment and re-election of Directors and the process for evaluation of the performance of the Board, its Members and Senior Executives (as outlined under recommendation 1.2). Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.

Should the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors.

See the comments under recommendation 1.2 above.

Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the Company's integrity;**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has adopted a Corporate Code of Conduct, and a Code of Conduct for executives, which can be accessed at the Company's website at www.royalco.com.au under the "Corporate" tag which has the appropriate sub headings.

Recommendation 3.2: Listed entities should establish a policy concerning diversity.

The Company has adopted a Diversity Policy which can be assessed at www.royalco.com.au under the "Corporate" tag which has the appropriate sub heading.

Recommendation 3.3: Disclose in each annual report the measurable objectives set by the board in accordance with the diversity policy.

The diversity policy outlines the requirements of the board to develop procedures and measures for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Over the next few years the Company aims to increase diversity in senior appointments as positions become available. All appointments will be based on merit and expertise required to discharge the duties of such roles.

Recommendation 3.4: Disclose in each Annual report the proportion of women employees in the whole organization, women in senior executive positions, and women on the board.

As at 30th June 2014, there were 4 board members, all of whom were male (100%). There were 6 senior executive positions, of which 5 were male and 1 female (17%), and total employees in the organisation were 7, of which 6 were male, 1 female (14%, or 33% excluding board members).

Recommendation 4.1: The Board should establish an audit committee.

During the current year the Board established an audit committee, which is responsible for the following areas:-

a) Establishment and review of internal control frameworks within the Company;

b) Review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;

c) Review of audit reports and any correspondence from auditors, including comments on the Company’s internal controls;

d) Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and

e) Monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

Recommendation 4.2: The audit committee should be structured so that it consists only of non- executive Directors;

a) consists of a majority of independent Directors;

b) is chaired by an independent Chairperson, who is not Chairperson of the Board;

c) has at least three members

The audit committee consists of two non-executive independent directors. Because of the size of the company it is not feasible to have an audit committee which includes three members at this stage.

Recommendation 4.3: The audit committee should have a formal charter.

Because of the size of the organisation it has not been deemed necessary to establish a formal charter to govern the audit committee. However the committee has been established to meet the five key responsibilities outlined in Recommendation 4.1 above.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has adopted a continuous disclosure policy that requires all Directors, Officers and executives to inform the Chairman, or in his absence the Company Secretary, of any potentially material information as soon as practicable after they become aware of that information. The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and senior management to ensure ongoing compliance.

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.

The Company has a disclosed policy for effective communication with shareholders which is available at the corporate governance statement on the Company’s website at www.royalco.com.au under the “Corporate” tag which has the appropriate sub heading.

Recommendation 7.1: Establish policies for the oversight and management of material business risk and disclose a summary of those policies.

The Company has established policies for the oversight and management of material business risks which is available at the corporate governance statement on the Company's website at www.royalco.com.au under the "Corporate" tag which has the appropriate sub heading.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management has not formally reported to the Board as to the effectiveness of the company's management of its material business risks .All business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the Directors and the Chief Financial Officer are adequate given the size and nature of the Company's activities. The Board requests management to report informally on risk management and internal control, and to highlight any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board receives such assurances prior to the release of the Company's full year and half year accounts.

Recommendation 8.1: The Board should establish a remuneration committee.

During the current year the Board established a remuneration committee, to evaluate the remuneration of both executive and non-executive directors.

Recommendation 8.2: The remuneration committee should be structured so that it:

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members.**

The remuneration committee consists of two non-executive independent directors. Because of the size of the company it is not feasible to have a remuneration committee which includes three members at this stage.

Recommendation 8.3: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors.

The structure of Executive and Non-Executive Directors' remuneration is detailed in the remuneration report, which forms part of the Directors' report in the annual report.