



Ongoing stability
with opportunities
on the horizon



ROYALCO
RESOURCES LIMITED

Annual Report 2014-2015

Corporate Directory

DIRECTORS

Mr Peter Topham
(Executive Chairman)
Mr David Ogg
(Non-Executive Director)
Mr Bruce Pertzelt
(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

CORPORATE GOVERNANCE STATEMENT

Refer to www.royalco.com.au

Contents inside

About.....	1
Highlights 2014/15	2
Chairman's Review	4
Operating Activities	6
Directors' Report.....	10
Auditor's Independence Declaration	18
Financial Report.....	19
Statement of Profit or Loss and other Comprehensive Income	20
Statement of Financial Position	21
Statement of Changes in Equity	22
Statement of Cash Flows	23
Notes to the Financial Statements	24
Directors' Declaration	49
Independent Auditor's Report	50
Shareholder Information	52

*Photos throughout the Annual Report
courtesy of Exxon Mobil and
Consolidated Tin Mines Ltd*

About

Royalco Resources (RCO) is a royalty house with the dual objectives of cash flow generation through royalty interests and asset creation through attractive exploration initiatives.

Royalco's key assets include:

- A portfolio of ten royalties, with interests in Victoria, New South Wales, South Australia, Queensland, New Zealand and the Philippines. Income is flowing from the recently acquired participation in the Weeks Petroleum Royalty located in Bass Strait. Income is also being received from Mt Garnet (zinc/copper) while Blackwater (gold) recently provided an excellent commercial appraisal from its operator.
- Fresh exploration interests are currently being negotiated on a global basis with an emphasis on base and precious metals.



Highlight's 2014/15

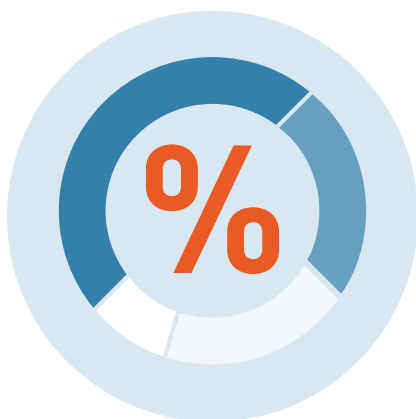


Mt Garnet, in North Queensland

Corporate Results



Royalties Interests



DIVERSE PORTFOLIO PAY OFF

The benefit of having a diverse portfolio of royalty interests was evident, with two distinct royalty streams generating revenue for the company through the latest financial year.

Exploration Initiatives



TO GENERATE ROYALTIES AND FREE-CARRIED INTEREST IN PROJECTS

Chairman's Review

In a challenging environment for companies active in the natural resource sector, Royalco successfully maintains a strong balance sheet and continues to distribute fully franked dividends to shareholders.

The board has collectively endured a number of price cycle fluctuations within the commodity and equity sectors over the years. This experience has been invaluable in guiding the company's ongoing activities in a prudent and productive manner for the benefit of all shareholders.

The majority of corporate updates to the ASX and observations by market commentators frequently contain words such as "cautious", "prudent", "diligent" and "risk-averse". The angst behind

such verbiage highlights the benefits of investing in royalties in this prevailing volatile market.

Unlike the majority of our peers within the junior resource sector, Royalco's income effectively covers all administrative costs. As additional royalty interests come onstream, or existing producing royalty interests generate greater income, the profits are returned to shareholders in the form of dividends, buy-backs or capital returns.



The board's attitude to capital management is possibly unique. To the best of directors' knowledge, Royalco is the only company listed on the ASX and active within the resource sector that has fewer shares currently on issue than at the time of its Initial Public Offering. In addition we have completed a substantial capital return and have paid fully franked dividends to shareholders over a number of years.

Royalco retains a sound 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 2015 was \$3.789 million and the company remains debt free.

Revenue for the year increased 10.6% to \$1.145 million and could have been higher but for industrial action in Bass Strait which significantly reduced income from the Weeks Petroleum Royalty in the third quarter and part of the fourth quarter.

Production has now returned to more normal levels.

This unexpected loss of income was offset by the return to production at the polymetallic Mt Garnet mine.

The final result for the year was actually a loss of \$1.088 million, compared with a loss of \$3.278 million in the previous year, because of non-cash items – mainly amortisation of royalty rights (\$425,000) and the cessation of remaining exploration activities in the Philippines (\$966,244).

The benefit of having a diverse portfolio of royalty interests was evident, with two distinct royalty streams generating revenue for the company through the latest financial year.

The Weeks Petroleum Royalty generated income of \$594,000 for the year. This interest covers both oil and gas production from the main Bass Strait fields and, while the fall in the global oil prices has been disappointing, the rise in gas prices for the east coast of Australia is offsetting this negative trend. Of note, as highlighted in a recent report from the Australian Energy Market Operator (*Energy Update – Industry Newsletter*, 31 August 2015), Victorian gas demand for 2015 is up 10% on 2014 because of the colder winter.

Completion of the upgrade on the Longford conditioning plant in 2016, the final commissioning of the Kipper/Tuna/Turram fields and the ongoing lift in east coast gas prices have the ability to enhance royalty income in future periods.

The Weeks Petroleum Royalty offers both a long life and a commercially significant revenue stream – the only true "Tier 1" petroleum royalty in the Australian market. Royalco remains the only Australian-listed entity that offers direct exposure to this interest.

On the base metals front, production resumed at Mt Garnet, in North Queensland. Royalty payments – both paid and accrued – totalled \$403,000 and are anticipated to continue throughout the 2016 calendar year.

In precious metals, OceanaGold provided a preliminary assessment of the Blackwater gold project in New Zealand to the ASX in October 2014. The figures suggested an attractive return on investment was possible, with subsequent currency and commodity price movements enhancing the value of the project. Current activities by the operator are aimed at reducing potential capital costs which should further increase the projected returns on what appears to be a compelling development option. Should this project be brought onstream, the significant income to be received by Royalco will enhance future dividend capacity for many years to come.

The board's patience with exploration initiatives in the Philippines was exhausted during the year and the company's exposure was converted to a simple royalty interest with a private concern. Directors have been amazed at the ignorance of community benefits that governments fail to provide but which mineral exploration can offer through direct economic assistance, in terms of health (and subsequent reduced mortality rates), education and general community standards of living.

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.

Directors 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.

The current dividend reflects Royalco's ability to pay fully franked dividends in the short term. In the longer term developments such as Blackwater will be required to maintain this track record.

In the meantime prudent capital management initiatives have been implemented to accommodate the company's cash flow requirements and to preserve a satisfactory cash balance in order to pursue appropriate investment initiatives.

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



Peter J Topham

Operating Activities

ExxonMobil completes Turrum drilling program in Bass Strait comprising five wells from the Marlin B platform



ROYALTIES

PROJECT	OPERATOR	ROYALTY	COMMODITY
Weeks Petroleum	Exxon	1% of 2.5%	Hydrocarbons
Reefton-Blackwater	OceanaGold Limited	1-3% ORR	Gold
Mt Garnet	CSD/Snow Peak JV	3% NSR	Zinc, copper
Bowdens	Kingsgate Consolidated Ltd	1-2 % NSR	Silver
Sam's Creek	MOD Resources Limited	1% ORR	Gold
Stanton	Private	1% NSR	Nickel, cobalt
Red Dam	Private	1.5% ORR	Gold, silver
LFB	Regis Resources Ltd	3% NSR	Gold, copper
Philippines	Private	1.0 % NSR	Gold, copper
Mt Lyndhurst	Syrah Resources Ltd	1.5% NSR	Copper

WEEKS PETROLEUM ROYALTY

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 17 production fields, 23 offshore platforms and feeds a network of 600 kilometres of underwater pipelines in the Offshore Gippsland Basin.

The ExxonMobil/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.

Royalty payments for the financial year 2014-2015:

September 30 2014	\$224,672
December 31 201	\$139,525
March 31 2015	\$66,356
June 30* 2015	\$163,075
TOTAL	\$593,628

*Accrued

This figure compares with \$841,795 received in the previous year.

The prime reasons for the downturn were a substantial decline in the price of oil, coupled with industrial action which curtailed oil production from 4,568,000 bbls for the December quarter to 2,312,000 bbls in the March quarter. Gas production for the same period was marginally lower (37.6BCF to 36.6BCF) against a background of slowly increasing East Coast gas prices.

In August of this year, ExxonMobil and BHP Billiton completed a five-well drilling program at the Turrum field. As announced by ExxonMobil, "... four of these wells will produce gas and one will pump oil.... This work follows the startup of the \$4.5 billion Kipper Tuna Turrum project, the largest oil and gas development on Australia's east coast....The Gippsland Basin joint venture continues to supply nearly 40% of eastern Australia's gas demand.... The emergence of the LNG industry has resulted in domestic gas prices rising from historic levels of around \$3-\$4/ gigajoule to oil-linked export parity of around \$6-\$9/Gj."



REEFTON/BLACKWATER

The operator at **Reefton** in New Zealand, OceanaGold Ltd (OGC), provided a Preliminary Economic Assessment of the Blackwater Gold Project to the ASX in October 2014.

In summary, the study recommended the construction of an exploration decline to advance the project given the potentially attractive economic returns. Key parameters suggested production of 58,000 ounces of gold a year over a 10-year minelife.

On prevailing gold prices Royalco's 3% over-riding royalty interest would generate more than \$2.5 million a year gross. Of note, the operator has a one-off right to re-acquire the royalty interest for a payment of approximately USD9 million, (A\$12.75 million), which is adjusted for inflation. The study assumed this right was exercised.

OceanaGold is currently studying methodologies of further reducing potential capital costs for the project.



MT GARNET

Mt Garnet restarted zinc and copper production during 2014-15. Income from Royalco's 3% net smelter return generated \$403,000, both received and accrued.

Operator Consolidated Tin Mines Ltd (CSD) told the ASX on 16 July 2015 that concentrate production would now be only from ore recovered directly from the Mt Garnet resource rather than from blending with ore from the Surveyor mine. Royalco's royalty interest relates solely to ore won from the Mount Garnet resource.

Informal discussions with the operator suggest that production from Mt Garnet should continue well into 2016, subject to a variety of external factors such as commodity prices and the wet season.

The historic operator, Kagara Limited in liquidation, remains a debtor for the amount of \$145,000 which is yet to be forthcoming. Indications from the liquidator suggest a return of between \$25,000 and \$67,000, depending upon the price realized from the future sale of listed shares currently held by the liquidator.

BOWDENS

The development of the **Bowdens Project** in central NSW, where Kingsgate Consolidated Limited (KCN) is the operator, is heavily reliant on a significant improvement in the price of silver.

The Royalco royalty interest in this project starts at a 2% net smelter return until US \$5 million has been received, then reverts to a 1% net smelter return for the life of the mine.

Environmental studies continue to be advanced but the major blockage to project development remains the comparatively low price of silver.

SAM'S CREEK

At the **Sam's Creek Project** in New Zealand Royalco holds a 1% overriding royalty interest. The operator, MOD Resources Limited (MOD), has previously reported a resource in excess of 1 million ounces of gold. The project has not been advanced during the reporting period as the operator concentrates on projects elsewhere.

In **Uganda** a number of tenements and tenement applications were meant to have been transferred to a third party for a royalty but bureaucratic ineptitude has caused this transaction to fail and the interest has been written off.

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

EXPLORATION

In the Philippines, exploration activities were curtailed during the year and the remaining exploration tenement, Gambang, was assigned to a third party for a 1% net smelter return royalty on any future mineral production.

Projects in more favourable domains continue to be reviewed as a source of future royalty streams through exploration and development.

Director's Report

30 June 2015

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 2015.

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
(Non-Executive Director)

Mr Bruce Pertzelt
(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
- investigating other exploration opportunities.



DIVIDENDS

Dividends paid during the financial year were as follows:

	Consolidated 2015 \$	Consolidated 2014 \$
Final dividend for the year ended 30 June 2014 of 1 cent per ordinary share paid on 19 September 2014 fully franked based on a tax rate of 30%	527,142	-
Interim dividend for the year ended 30 June 2015 of 0.5 cents per ordinary share paid on 13 March 2015 fully franked based on a tax rate of 30%	263,570	-
Final dividend for the year ended 30 June 2013 of 1 cent 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 cent per ordinary share paid on 13 February 2014 fully franked based on a tax rate of 30%	-	527,142
	790,712	1,054,284

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$1,186,110 (30 June 2014: \$3,215,873).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the company disposed of Royalco Philippines Inc. The consideration for the disposal was a 1% net smelter royalty over the future production from the Gambang tenements. In addition the company is entitled to 10% of any consideration from the sale of the tenement or equity of the company.

There were no other 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 9th September 2015, the company announced a fully franked dividend of 0.5 cent per share, payable on 24th September 2015.

On 22nd September 2015 the company advised the ASX that it has received a Section 249 Notice seeking to convene a General Meeting of the company to consider a number of resolutions which, if passed, would alter the membership of the board. The company will provide shareholders with further information and will advise on further steps in due course.

No other matter or circumstance has arisen since 30 June 2015 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 2015.

INFORMATION ON DIRECTORS

Mr Peter Topham

Title: Executive Chairman

Qualifications: B.Ec., LLB, M.AusIMM

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: 5,405,640 fully paid ordinary shares

Interests in options: Nil

Mr David Ogg

Title: 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: 3,695,260 ordinary fully paid shares

Interests in options: Nil

Mr Bruce Pertzel

Title: Non-Executive Director

Qualifications: B.Sc. (Geol), Dipl. Geosci (Post Grad), F.AusIMM

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 45 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

Mr Piers Reynolds

Title: Non-Executive Director

Qualifications: Bach. of App. Sc. (Geol), Grad. Dip. App. Finance and Investment from FINSA

Experience and expertise: Piers has over 20 years experience in the resource and finance industries and is currently an Executive Director of Veritas Securities Limited. He worked for nine years in the resource sector as a geologist in gold, base metals and bulk commodities. In 2001 Piers joined a mid tier Australian securities firm as a resource analyst prior to becoming a founding Director of Veritas in 2006. He has significant experience in fundamental analysis and investment banking activities including equity capital markets and corporate advisory in the minerals and energy sectors.

Other current directorships: Nil

Former directorships (last 3 years): Nil

Special responsibilities: Member of Audit Committee

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 2015, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Peter Topham	9	9	-	-	-	-
Mr David Ogg	9	9	1	1	1	1
Mr Bruce Pertzelt	9	9	-	-	1	1
Mr Piers Reynolds	9	9	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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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 7 November 2014 Annual General Meeting ('AGM')

The company received 96.39% of 'for' votes in relation to its remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

Amounts of remuneration

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

	Short-term benefits			Post-employment benefits		Long-term benefits	
	Cash salary and fees	Bonus	Non - monetary	Super-annuation	Termination	Long Service Leave	Total
2015	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Mr B Pertzel	42,000	-	-	-	-	-	42,000
Mr P Reynolds	42,000	-	-	-	-	-	42,000
Mr D Ogg	42,000	-	-	-	-	-	42,000
Executive Directors:							
Mr P Topham	255,000	-	-	25,000	-	7,994	287,994
Other Key Management Personnel:							
Mr N Boicos	130,000	-	-	-	-	1,644	131,644
	511,000	-	-	25,000	-	9,638	545,638

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

2014	Short-term benefits			Post-employment benefits		Long-term benefits	Total \$
	Cash salary and fees \$	Bonus \$	Non - monetary \$	Super-annuation \$	Termination \$	Long Service Leave \$	
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, and B Pertzelt 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 contract 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 2015.

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 2015.

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 2015.

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

	2011 \$	2012 \$	2013 \$	2014 \$	2015 \$
Sales revenue	9,691,676	10,511,083	3,353,833	1,035,858	1,145,315
EBITDA	7,982,644	6,725,196	(2,553,451)	(2,853,808)	(56,841)
Profit/(loss) after income tax	5,647,507	5,274,847	(2,056,655)	(3,215,873)	(1,186,110)

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

	2011	2012	2013	2014	2015
Share price at financial year end (\$)	0.39	0.52	0.37	0.24	0.21
Total dividends declared (cents per share)	2.00	4.00	4.00	2.00	1.50
Basic earnings per share (cents per share)	10.71	10.01	(3.90)	(6.10)	(2.25)

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:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Mr P Topham	5,570,400	-	100,500	(265,260)	5,405,640
Mr D Ogg	3,960,400	-	-	(265,140)	3,695,260
Mr B Pertzel	31,000	-	-	-	31,000
	9,561,800	-	100,500	(530,400)	9,131,900

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 2015 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 PARTNERS OF LOREN DATT

There are no officers of the company who are former 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

22 September 2015
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
FOR THE YEAR ENDED 30 JUNE 2015**

As lead auditor for the audit of Royalco Resources Limited for the year ended 30 June 2015, 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.



LOREN DATT
Registered Company Auditor
Registration: 339204

Dated: 22 September 2015

Financial Report

For the year ended 30 June 2015

GENERAL INFORMATION

The financial statements cover Royalco Resources Limited as a consolidated entity consisting of Royalco Resources Limited and the entities it controlled at the end of, or during, the year. 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 22 September 2015. The directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

		Consolidated 2015 \$	Consolidated 2014 \$
	Note		
Revenue from continuing operations	4	1,145,315	1,035,761
Expenses			
Administrative costs		(461,864)	(829,580)
Employee benefits expense		(464,234)	(379,632)
Depreciation and amortisation expense	5	(2,883)	(2,012)
Impairment of investments		(11,200)	(24,000)
Impairment of exploration assets		(218,241)	(939,917)
Amortisation of royalty rights		(425,000)	(425,000)
Loss before income tax benefit from continuing operations		(438,107)	(1,564,380)
Income tax benefit	6	-	40,521
Loss after income tax benefit from continuing operations		(438,107)	(1,523,859)
Loss after income tax expense from discontinued operations	7	(748,003)	(1,692,014)
Loss after income tax benefit for the year attributable to the owners of Royalco Resources Limited		(1,186,110)	(3,215,873)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		97,359	(62,930)
Other comprehensive income for the year, net of tax		97,359	(62,930)
Total comprehensive income for the year attributable to the owners of Royalco Resources Limited		(1,088,751)	(3,278,803)
Total comprehensive income for the year is attributable to:			
Continuing operations		(1,088,751)	(3,278,803)
Discontinued operations		-	-
		(1,088,751)	(3,278,803)

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Royalco Resources Limited			
Basic earnings per share	34	(0.83)	(2.89)
Diluted earnings per share	34	(0.83)	(2.89)
Earnings per share for loss from discontinued operations attributable to the owners of Royalco Resources Limited			
Basic earnings per share	34	(1.42)	(3.21)
Diluted earnings per share	34	(1.42)	(3.21)
Earnings per share for loss attributable to the owners of Royalco Resources Limited			
Basic earnings per share	34	(2.25)	(6.10)
Diluted earnings per share	34	(2.25)	(6.10)

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

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2015

	Note	Consolidated 2015 \$	Consolidated 2014 \$
Assets			
Current assets			
Cash and cash equivalents	8	3,789,712	4,671,803
Trade and other receivables	9	284,816	313,452
Total current assets		4,074,528	4,985,255
Non-current assets			
Property, plant and equipment	10	10,359	35,230
Intangibles	11	7,602,872	8,028,105
Exploration and evaluation	12	-	632,841
Other financial assets	14	12,800	24,000
Other	15	5,417	11,983
Total non-current assets		7,631,448	8,732,159
Total assets		11,705,976	13,717,414
Liabilities			
Current liabilities			
Trade and other payables	16	31,211	136,342
Employee benefits	17	220,426	248,914
Total current liabilities		251,637	385,256
Non-current liabilities			
Employee benefits	19	4,575	2,931
Total non-current liabilities		4,575	2,931
Total liabilities		256,212	388,187
Net assets		11,449,764	13,329,227
Equity			
Issued capital	20	12,321,611	12,321,611
Reserves	21	-	(71,147)
Retained profits/(accumulated losses)		(871,847)	1,078,763
Total equity		11,449,764	13,329,227

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Contributed Equity	Retained Earnings	Foreign Currency Reserve	Total Equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2013	12,321,611	5,348,920	(8,217)	17,662,314
Loss after income tax 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)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 22)	-	(1,054,284)	-	(1,054,284)
Balance at 30 June 2014	12,321,611	1,078,763	(71,147)	13,329,227

	Contributed Equity	Retained Earnings	Foreign Currency Reserve	Total Equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2014	12,321,611	1,078,763	(71,147)	13,329,227
Loss after income tax benefit for the year	-	(1,186,110)	-	(1,186,110)
Other comprehensive income for the year, net of tax	-	-	97,359	97,359
Total comprehensive income for the year	-	(1,186,110)	97,359	(1,088,751)
<i>Transactions with owners in their capacity as owners:</i>				
Transfers	-	26,212	(26,212)	-
Dividends paid (note 22)	-	(790,712)	-	(790,712)
Balance at 30 June 2015	12,321,611	(871,847)	-	11,449,764

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

		Consolidated 2015 \$	Consolidated 2014 \$
	Note		
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,096,910)	(1,415,244)
Interest received		151,802	222,138
Royalties received		978,096	737,783
R&D tax offset		86,882	-
Income taxes refunded		-	36,003
Net cash from/(used in) operating activities	33	119,870	(419,320)
Cash flows from investing activities			
Payments for investments		-	(48,000)
Payments for exploration and evaluation		(213,789)	(1,198,692)
Payments for property, plant and equipment		(4,026)	(9,261)
Proceeds from release of security deposits		6,566	-
Net cash used in investing activities		(211,249)	(1,255,953)
Cash flows from financing activities			
Dividends paid	22	(790,712)	(1,054,284)
Net cash used in financing activities		(790,712)	(1,054,284)
Net decrease in cash and cash equivalents		(882,091)	(2,729,557)
Cash and cash equivalents at the beginning of the financial year		4,671,803	7,401,360
Cash and cash equivalents at the end of the financial year	8	3,789,712	4,671,803

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.

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 30.

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 2015 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.

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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 rates at the dates of the transactions, 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 this 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.

R&D tax offset

R&D tax offset is accounted for as a government grant, and is recognised in the profit and loss in the same period, as the related costs are recognised as expenses.

Other revenue

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

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 the 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 be applied 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 at 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.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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 classified as current when: it is either 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A liability is classified as current when: it is either 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.

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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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 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.

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 2015. 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.

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.

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

	Royalty Management	Exploration	Intersegment eliminations/ unallocated	Total
Consolidated – 2015	\$	\$	\$	\$
Revenue				
Sales to external customers	997,461	-	-	997,461
Other revenue	-	86,899	147,854	234,753
Total revenue	997,461	86,899	147,854	1,232,214
EBITDA	997,461	(46,626)	(1,007,676)	(56,841)
Depreciation and amortisation				(427,892)
Impairment of assets				(701,377)
Loss before income tax expense				(1,186,110)
Income tax expense				-
Loss after income tax expense				(1,186,110)
Assets				
Segment assets	7,878,439	-	3,827,537	11,705,976
Total assets				11,705,976
<i>Total assets includes:</i>				
Acquisition of non-current assets	-	-	4,026	4,026
Liabilities				
Segment liabilities	-	-	256,212	256,212
Total liabilities				256,212

NOTE 3. OPERATING SEGMENTS (CONTINUED)

	Royalty Management	Exploration	Intersegment eliminations/ unallocated	Total
Consolidated – 2014	\$	\$	\$	\$
Revenue				
Sales to external customers	839,796	-	-	839,796
Other revenue	-	-	196,062	196,062
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
<i>Total assets includes:</i>				
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 4. REVENUE

	Consolidated 2015 \$	Consolidated 2014 \$
From continuing operations		
<i>Sales revenue</i>		
Royalty	997,461	839,796
<i>Other revenue</i>		
Interest	131,626	195,965
Other revenue	16,228	-
	147,854	195,965
Revenue from continuing operations	1,145,315	1,035,761

NOTE 5. EXPENSES

	Consolidated 2015 \$	Consolidated 2014 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	2,660	6,701
<i>Amortisation</i>		
Software	223	292
Royalty rights	425,000	425,000
Total amortisation	425,223	425,292
Total depreciation and amortisation	427,883	431,993
<i>Impairment</i>		
Exploration and evaluation	919,618	2,503,507
Shares in Australian listed entity	11,200	24,000
Total impairment	930,818	2,527,507
<i>Superannuation expense</i>		
Defined contribution superannuation expense	25,000	60,000

NOTE 6. INCOME TAX BENEFIT

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Income tax benefit</i>		
Current tax	(57,010)	(376,628)
Deferred tax - origination and reversal of temporary differences	-	(40,294)
Net prior year adjustments	(331,715)	126
Effect of deferred tax balances not recognised	-	(13,331)
Deferred tax - origination and reversal of temporary differences	(68,470)	
Amounts not recognised	457,195	389,606
Aggregate income tax benefit	-	(40,521)
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax assets (note 13)	-	134,109
Decrease in deferred tax liabilities (note 18)	-	(174,403)
Deferred tax - origination and reversal of temporary differences	-	(40,294)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit from continuing operations	(438,107)	(1,564,380)
Loss before income tax expense from discontinued operations	(748,003)	(1,692,014)
	(1,186,110)	(3,256,394)
Tax at the statutory tax rate of 30%	(390,503)	(976,918)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	4,603	34,112
Foreign loss of subsidiary not recognised	251,801	512,780
Prior yearn under provision	57,891	-
Prior year amounts not recognised	(389,606)	-
R&D tax offset	(26,051)	-
	(457,195)	(430,026)
Current year tax losses not recognised	457,195	389,379
Net prior year adjustments	-	126
Income tax benefit	-	(40,521)

NOTE 7. DISCONTINUED OPERATIONS

DESCRIPTION

During the year the company disposed of it Royalco Philippines Inc. The consideration for the disposal was a 1% net smelter royalty over the future production from the Gambang tenements. In addition the company is entitled to 10% of any consideration from the sale of the tenement or equity of the company.

FINANCIAL PERFORMANCE INFORMATION

	Consolidated 2015 \$	Consolidated 2014 \$
Interest	17	97
R&D tax offset	86,882	-
Total revenue	86,899	97
Administration expense	(84,172)	(35,474)
Employee benefit expense	(49,353)	(88,066)
Impairment of exploration assets	(701,377)	(1,563,590)
Depreciation and amortisation expense	-	(4,981)
Total expenses	(834,902)	(1,692,111)
Loss before income tax expense	(748,003)	(1,692,014)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(748,003)	(1,692,014)

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2015 \$	Consolidated 2014 \$
Cash at bank	3,789,712	4,671,803

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2015 \$	Consolidated 2014 \$
Other receivables	-	27,842
Royalties receivable	275,568	256,203
Interest receivable	9,248	29,407
	284,816	313,452

NOTE 10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2015 \$	Consolidated 2014 \$
Plant and equipment - at cost	42,556	64,768
Less: Accumulated depreciation	(32,197)	(29,538)
	10,359	35,230

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 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
Additions	4,026	4,026
Write off of assets on disposal of subsidiary	(26,237)	(26,237)
Depreciation expense	(2,660)	(2,660)
Balance at 30 June 2015	10,359	10,359

NOTE 11. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated 2015 \$	Consolidated 2014 \$
Software - at cost	36,121	36,121
Less: Accumulated amortisation	(36,121)	(35,888)
	-	233
Royalty rights - at cost	8,819,738	8,819,738
Less: Accumulated amortisation	(1,216,866)	(791,866)
	7,602,872	8,027,872
	7,602,872	8,028,105

NOTE 11. NON-CURRENT ASSETS – INTANGIBLES (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	Royalty Rights \$	Software \$	Total \$
Balance at 1 July 2013	8,452,872	584	8,453,456
Amortisation expense	(425,000)	(351)	(425,351)
Balance at 30 June 2014	8,027,872	233	8,028,105
Amortisation expense	(425,000)	(233)	(425,233)
Balance at 30 June 2015	7,602,872	-	7,602,872

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 12. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

	Consolidated 2015 \$	Consolidated 2014 \$
Exploration and evaluation assets	-	632,841

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 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
Additions	213,789	213,789
Exchange differences	72,988	72,988
Impairment of assets	(919,618)	(919,618)
Balance at 30 June 2015	-	-

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

NOTE 13. NON-CURRENT ASSETS – DEFERRED TAX

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	375,747	376,628
Employee benefits	67,501	56,324
Exploration expenditure	64,137	-
Accrued expenses	7,075	7,553
Property, plant and equipment	344	386
Royalty rights	3,347	4,663
Deductible capital costs	13,885	20,828
Revaluations	10,606	8,908
Amount not recognised	(542,642)	(475,290)
Movements:		
Opening balance	-	134,109
Charged to profit or loss (note 6)	-	(134,109)
Closing balance	-	-

NOTE 14. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated 2015 \$	Consolidated 2014 \$
Shares in Australian listed entity	12,800	24,000

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

NOTE 15. NON-CURRENT ASSETS – OTHER

	Consolidated 2015 \$	Consolidated 2014 \$
Security deposits	5,417	11,983

NOTE 16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated 2015 \$	Consolidated 2014 \$
Trade payables	21,848	11,365
Other payables	9,363	124,977
	31,211	136,342

Refer to note 23 for further information on financial instruments.

NOTE 17. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated 2015 \$	Consolidated 2014 \$
Employee benefits	220,426	248,914

NOTE 18. NON-CURRENT LIABILITIES – DEFERRED TAX

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Interest receivable	2,774	8,822
Royalty receivable	82,672	76,862
Amounts not recognised	(85,446)	(85,684)
Movements:		
Opening balance	-	174,403
Charged to profit or loss (note 6)	-	(174,403)
Closing balance	-	-

NOTE 19. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated 2015 \$	Consolidated 2014 \$
Employee benefits	4,575	2,931

NOTE 20. EQUITY – ISSUED CAPITAL

	Consolidated			
	2015 Shares	2014 Shares	2015 \$	2014 \$
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.

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 2014 Annual Report.

NOTE 21. EQUITY – RESERVES

	Consolidated 2015 \$	Consolidated 2014 \$
Foreign currency reserve	-	(71,147)

FOREIGN CURRENCY RESERVE

The reserve is used to recognise exchange differences arising from the 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.

NOTE 21. EQUITY – RESERVES (CONTINUED)

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 2013	(8,217)	(8,217)
Foreign currency translation	(62,930)	(62,930)
Balance at 30 June 2014	(71,147)	(71,147)
Foreign currency translation	97,359	97,359
Transfer to retained earnings on deconsolidation of subsidiary	(26,212)	(26,212)
Balance at 30 June 2015	-	-

NOTE 22. EQUITY – DIVIDENDS

DIVIDENDS

Dividends paid during the financial year were as follows:

	Consolidated 2015 \$	Consolidated 2014 \$
Final dividend for the year ended 30 June 2014 of 1 cent per ordinary share paid on 19 September 2014 fully franked based on a tax rate of 30%	527,142	-
Interim dividend for the year ended 30 June 2015 of 0.5 cents per ordinary share paid on 13 March 2015 fully franked based on a tax rate of 30%	263,570	-
Final dividend for the year ended 30 June 2013 of 1 cent 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 cent per ordinary share paid on 13 February 2014 fully franked based on a tax rate of 30%	-	527,142
	790,712	1,054,284

FRANKING CREDITS

	Consolidated 2015 \$	Consolidated 2014 \$
Franking credits available at the reporting date based on a tax rate of 30%	449,628	788,505
Franking credits available for subsequent financial years based on a tax rate of 30%	449,628	788,505
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(112,959)	(225,917)
Net franking credits available based on a tax rate of 30%	336,669	562,588

NOTE 23. 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.

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

	Assets		Liabilities	
	2015 \$	2014 \$	2015 \$	2014 \$
Consolidated				
Filipino peso	-	700,442	-	65,930

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

Consolidated - 2015	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Filipino peso	30%	-	-	-%	-	-

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

NOTE 23. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk

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

Consolidated - 2015	Average price increase			Average price decrease		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Shares in Australian listed entity	50%	6,400	6,400	50%	(6,400)	(6,400)

Consolidated - 2014	Average price increase			Average price decrease		
	% 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.

Consolidated - 2015	Basis points increase			Basis points decrease		
	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	37,897	37,897	100	(37,897)	(37,897)

Consolidated - 2014	Basis points increase			Basis points decrease		
	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	30%	(46,718)	(46,718)

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.

NOTE 23. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2015	%	\$	\$	\$	\$	\$

Non-derivatives

Non-interest bearing

Trade payables	-%	31,211	-	-	-	31,211
Employee benefits	-%	220,426	-	-	4,575	225,001
Total non-derivatives		251,637	-	-	4,575	256,212

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2014	%	\$	\$	\$	\$	\$

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

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 24. 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 2015 \$	Consolidated 2014 \$
Short-term employee benefits	511,000	607,447
Post-employment benefits	25,000	60,000
Long-term benefits	9,638	(5,022)
Termination benefits	-	166,206
	<u>545,638</u>	<u>828,631</u>

NOTE 25. 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 2015 \$	Consolidated 2014 \$
<i>Audit services - Loren Datt</i>		
Audit or review of the financial statements	<u>28,000</u>	<u>30,500</u>

NOTE 26. CONTINGENT LIABILITIES

	Consolidated 2015 \$	Consolidated 2014 \$
Bank guarantees	<u>79,250</u>	<u>79,250</u>

NOTE 27. COMMITMENTS

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	71,177	70,000
One to five years	17,853	87,499
	<u>89,030</u>	<u>157,499</u>

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 28. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Royalco Resources Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 31.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 24 and the remuneration report in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	Consolidated 2015 \$	Consolidated 2014 \$
Payment for other expenses:		
Directors fees (including severance in 2014) paid to David Ogg and Associates (an entity associated with Mr David Ogg)	42,000	309,584
Directors fees paid to Alpha Unicorn Company Pty Ltd (an entity associated with Mr Bruce Pertzelt)	42,000	42,000
Directors fees paid to Mad Fish Management Pty Ltd (an entity associated with Mr Piers Reynolds)	42,000	42,000
Consulting fees paid to Alpha Unicorn Company Pty Ltd (an entity associated with Mr Bruce Pertzelt)	72,150	59,038

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 29. UNUSED CREDIT FACILITIES

	Consolidated 2015 \$	Consolidated 2014 \$
Unused credit facility		
Total unutilised credit card facility	60,000	60,000

NOTE 30. PARENT ENTITY INFORMATION

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Parent 2015 \$	Parent 2014 \$
Loss after income tax	(3,762,812)	(1,512,550)
Total comprehensive income	(3,762,812)	(1,512,550)

STATEMENT OF FINANCIAL POSITION

	Parent 2015 \$	Parent 2014 \$
Total current assets	4,029,529	4,896,038
Total assets	11,752,314	16,367,129
Total current liabilities	251,637	317,502
Total liabilities	256,212	317,502
Equity		
Issued capital	12,321,611	12,321,611
Retained profits/(accumulated losses)	(825,509)	3,728,016
Total equity	11,496,102	16,049,627

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 2015 and 30 June 2014.

CONTINGENT LIABILITIES

Refer to Note 26 for details of the parent entity's contingent liabilities. All amounts disclosed relate to the parent entity.

CAPITAL COMMITMENTS - PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2015 and 30 June 2014.

NOTE 31. 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	
		2015 %	2014 %
Royalco Philippines Inc	Philippines	-%	100.00%
Ginto Minerals Pty Ltd	Australia	100.00%	100.00%
Royalco Resources (No1) Pty Ltd	Australia	100.00%	100.00%
Royalco Mining PLC	Ethiopia	100.00%	100.00%

In April 2015, the company disposed of its interest in Royalco Philippines.

NOTE 32. EVENTS AFTER THE REPORTING PERIOD

On 9th September 2015, the company announced a fully franked dividend of 0.5 cent per share, payable on 24th September 2015.

On 22nd September 2015 the company advised the ASX that it has received a Section 249 Notice seeking to convene a General Meeting of the company to consider a number of resolutions which, if passed, would alter the membership of the board. The company will provide shareholders with further information and will advise on further steps in due course.

No other matter or circumstance has arisen since 30 June 2015 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 33. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM/ (USED IN) OPERATING ACTIVITIES

	Consolidated 2015 \$	Consolidated 2014 \$
Loss after income tax benefit for the year	(1,186,110)	(3,215,873)
Adjustments for:		
Depreciation and amortisation	427,892	431,993
Impairment of exploration expenditure	919,618	2,503,507
Employee entitlements	(26,844)	(239,296)
Impairment of investments	11,200	24,000
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	28,636	(35,466)
Decrease in deferred tax assets	-	134,109
Increase/(decrease) in trade and other payables	(54,522)	116,333
Increase in provision for income tax	-	35,776
Decrease in deferred tax liabilities	-	(174,403)
Net cash from/(used in) operating activities	119,870	(419,320)

NOTE 34. EARNINGS PER SHARE

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Royalco Resources Limited	(438,107)	(1,523,859)
	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	(0.83)	(2.89)
Diluted earnings per share	(0.83)	(2.89)
	Consolidated 2015 \$	Consolidated 2014 \$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Royalco Resources Limited	(748,003)	(1,692,014)
	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	(1.42)	(3.21)
Diluted earnings per share	(1.42)	(3.21)

NOTE 34. EARNINGS PER SHARE (CONTINUED)

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Royalco Resources Limited	(1,186,110)	(3,215,873)

	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	(2.25)	(6.10)
Diluted earnings per share	(2.25)	(6.10)

NOTE 35. SHARE-BASED PAYMENTS

There were no share based payments made in the 2015 or 2014 financial year.

Directors' Declaration

30 June 2015

In the directors' opinion:

- the attached financial statements and notes 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 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 give a true and fair view of the consolidated entity's financial position as at 30 June 2015 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

22 September 2015
Melbourne

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 2015, 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

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 2015 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 8 to 11 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the Corporations Act 2001.



LOREN DATT
Registered Company Auditor
Registration: 339204

Dated: 22 September 2015

Shareholder Information

30 June 2015

The below shareholder information was applicable as at 4 September 2015.

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	36
1,001 to 5,000	151
5,001 to 10,000	111
10,001 to 100,000	239
100,001 and over	45
	582
Holding less than a marketable parcel	80

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
High Peak Royalties Ltd	10,540,000	19.99
Acorn Capital Ltd	7,850,000	14.89
Noontide Investments Ltd	7,333,646	13.91
Keryn Anne Topham and Associates	5,405,640	10.25
David Lindsay Ogg and Associates	3,695,140	7.01

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
High Peak Royalties Ltd	10,540,000	19.99
JP Morgan Nominees Pty Ltd	9,886,303	18.75
HSBC Custody Nominees Australia Ltd	5,328,612	10.11
Keryn Anne Topham	4,530,000	8.59
Meballa Pty Ltd	2,665,260	5.06
Tara SF PL	1,200,000	2.28
David Ogg and Associates Pty Ltd	690,000	1.31
Peter John and Keryn Anne Topham	655,140	1.24
Netwealth Investments Ltd	500,000	0.95
Errol Goldschmidt	359,328	0.68
Argonaut Securities Pty Ltd	329,351	0.62
Miriam Aviva Tatarka	300,000	0.57
Brockway Yager Pty Ltd	300,000	0.57
W Richardson	299,951	0.57
Whorouly Pty Ltd	270,000	0.51
Henry Jacobs Geelong PL	270,000	0.51
Dorran Pty Ltd	250,000	0.47
Veles Kirsten Nom PL	250,000	0.47
Peter James Hayman	250,000	0.47
David Ogg	240,000	0.46
	39,113,945	74.18

UNQUOTED EQUITY SECURITIES

There are no unquoted equity securities.

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.



ROYALCO RESOURCES LIMITED

ABN 53 096 321 532

Level 1

394-396 Little Bourke Street

Melbourne VIC 3000

Phone: 61 3 9602 3626

Fax: 61 3 9670 4479

Website: www.royalco.com.au

Email: info@royalco.com.au

