

## September 2015 Quarterly Report

30 October 2015

The effects of industrial action on the Weeks Royalty in Bass Strait diminished through the quarter with petroleum production moving back to more normal levels. Income from Mt Garnet has the potential to have a longer life than originally estimated.

### KEY POINTS

A payment of \$163,075 was received during the quarter from the Weeks Royalty interest compared with \$66,358 in the prior period.

This payment increase is regarded as a “one off” as production levels return to more traditional levels following industrial action.

Calculations for payments under the Mt Garnet royalty interest have been adjusted to reflect final smelter assays rather than estimates made at port delivery. No significant change to royalty amounts is anticipated but there will be an effective time lag until payments are actually received.

Production at Mt Garnet is now focused on underground operations at that site as a priority, rather than blending with ore from other sources.

### CORPORATE DETAILS

ASX Code:	RCO
Issued Capital:	52,714,183 shares
Share Price:	23 cents
Market Capitalisation:	\$12.1 million
Cash/Liquids:	\$3.5 million

#### Major Shareholders

Directors	19.43%
Noontide	13.92%
High Peak	20.91%
Acorn	14.89%

#### Directors

Peter Topham	Executive Chairman
David Ogg	Director
Bruce Pertzel	Director
Piers Reynolds	Director

*The company's strategy is to expand a core royalty portfolio of income-producing base metals, precious metals and energy interests. This may be achieved by direct acquisition, exploration initiatives, or as a result of mezzanine/project financing activities. In addition, successful exploration activities will be maximised to the benefit of shareholders in whatever corporate format deemed appropriate.*

## ***Royalty Interests***

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).

Income received during the quarter was \$163,075, representing payment for the three months ending 30 June 2015. This is nearly 2½ times the amount received in the June quarter and reflects a gradual return to normal production rates as the effects of industrial action initiated in the previous quarter begin to diminish. The production report from BHP Billiton for the June period suggests production of liquids increased by 48% over the March quarter, gas increase 74% and NGL increased by 61%.

In the most recent production report from BHP for the period ending 30 September, liquids sales per barrel increased by a further 10%, gas 21% and NGL a further 35%. Subject to actual sale prices received, we can expect a further increase in royalty income from the Weeks interest this quarter. For the Bass Strait fields both gas and NGL production are near historic highs, while liquids remain below long term trends.

At ***Mt Garnet*** in far north Queensland, the operator, Consolidated Tin Mines Limited (ASX Code: CSD), has made a royalty payment of \$15,000 with a further \$30,000 invoiced based on copper output alone. Zinc concentrate shipments have been made but are awaiting final assays from the smelters. Accrued income of approximately \$63,000 is anticipated from September quarter zinc production.

During the quarter, recovery of ore from Mt Garnet resumed and will become the focus of zinc production in forthcoming periods as the Surveyor deposit (in which Royalco holds no interest) has been transitioned on to care and maintenance. As part of this process royalty payments have been adjusted from a delivery-to-port price formula to one based on final assays from smelters. This adjustment has resulted in an effective time lag for royalty receipts during the September quarter but should remove the need for ongoing adjustments to royalty revenue resulting from final assays on a quarter-by-quarter basis.

OceanaGold (ASX Code: OGC), operator of the ***Blackwater Project*** at Reefton in New Zealand, has stated that it is currently reviewing both mining methodology and capital expenditure associated with this attractive high-grade gold project. Given the significant level of corporate activity recently undertaken by Oceana Gold we do not expect any substantial advancement on this project until 2016.

No activities of substance have been reported during the quarter on the other royalty interests.

## ***Exploration***

No exploration was undertaken during the quarter and no commitments have been entered into.

The rationale for Royalco's exploration initiatives is to generate royalties and free-carried interests in a portfolio of projects. As previously indicated, management time continues to be focused on opportunities offering a strong bias in favour of base and precious metals.

## *Corporate*

The cash balance at the end of September was \$3.5 million after the payment of a 0.5 cent fully franked dividend mid-September.

The costs associated with a Section 249D Notice received in September will increase estimated administrative costs for the current quarter. Details of information associated with this process have been provided to shareholders. Our board continues to take a prudent attitude towards administrative costs with our annual review of each significant cost item, including director and employee emoluments scheduled for December.

Looking to the year ahead, subject to royalty receipts being maintained at expected levels and without any significant acquisitions or investments being undertaken, we estimate that Royalco's cashflows from operations will be approximately \$1.2 million for calendar year 2016. In terms of outgoings, we anticipate a further reduction in administrative costs and Royalco has sufficient franking credits to pay two further dividends of 0.5 cents per share. This should result in our cash-at-bank position remaining very similar to the current level.

However, there is of course significant upside in the existing Royalco portfolio, including: the possible development of Blackwater; increased output from Bass Strait with the upgrade of the Longford plant coupled with rising gas prices as historic offtake agreements are adjusted to current market prices; and exposure to a zinc commodity price potentially coming off a low base at Mt Garnet.

In addition, we continue to review opportunities and any future investment will be made on a cautious basis, potentially at "the bottom of the market".



Peter J Topham  
Executive Chairman

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Royalco Resources Limited

ABN

53 096 321 532

Quarter ended ("current quarter")

September, 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors*	180	180
1.2 Payments for (a) exploration & evaluation	(10)	(10)
(b) development	-	-
(c) production	-	-
(d) administration	(228)	(228)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(5)	(5)
	(37)	(37)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(24)	(24)
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(24)	(24)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(61)	(61)

\* Royalties received

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(61)	(61)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	(264)	(264)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(264)	(264)
	<b>Net increase (decrease) in cash held</b>	(325)	(325)
1.20	Cash at beginning of quarter/year to date	3,798	3,798
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,473	3,473

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	112
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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### Non-cash financing and investing activities

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

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

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+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

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

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	20
4.2 Development	
4.3 Production	
4.4 Administration	240
<b>Total</b>	

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	109	137
5.2 Deposits at call	53	156
5.3 Bank overdraft		-
5.4 Other (provide details) Term Deposits	3,311	3,505
<b>Total: cash at end of quarter (item 1.22)</b>	3,473	3,798

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

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

#### Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-  -		
7.3	<b>*Ordinary securities</b>	52,714,183	52,714,183	40 cents
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-  -		
7.5	<b>*Convertible debt securities</b> (description)	-		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7	<b>Options</b> <i>(description and conversion factor)</i>	-		<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter	-			
7.9	Exercised during quarter	-			
7.10	Expired during quarter	-			
7.11	<b>Debentures</b> <i>(totals only)</i>	-			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-			

Pursuant to Listing Rule 5.3.3 a schedule of Company tenements and interests therein is provided as follows:

**Tenement Status for Quarter ending 30 September 2015**

Tenement Reference	Country	Tenement Holder	Aquired Interest during the Quarter	Disposed Interest during the Quarter	Interest held (%)	NOTE

+ See chapter 19 for defined terms.



### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



30th October, 2015

Sign here: ..... Date: .....  
(Company Secretary)

Print name: Nick Boicos .....

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.