

## March 2016 Quarterly Report

29 April 2016

**An improved petroleum production outlook from Bass Strait is set to compensate for recent disappointing results affecting payments from the Weeks Royalty interest. Continued revenue from Mt Garnet has offset those lower than expected receipts.**

### KEY POINTS

**Royalty payments received during the quarter totalled \$178,324 – \$91,427 from the Weeks Royalty and \$86,897 from Mt Garnet.**

**The BHP Billiton production report for the 3 months ending 31 December 2015 suggests a much improved production outlook from the Bass Strait fields.**

**Rising gas prices on the East Coast of Australia, slowly increasing global oil prices and increased production imply a potential lift in future royalty receipts.**

**Mt Garnet’s solid performance is set to continue for the balance of this calendar year.**

**Fresh royalty opportunities remain under consideration.**

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 20 cents

Market Capitalisation: \$10.5 million

Cash/Liquids: \$3.16 million

#### Major Shareholders

Directors 19.43%

Noontide 16.40%

High Peak 20.91%

Acorn 8.63%

Fitzroy River 6.31%

#### Directors

Peter Topham Executive Chairman

David Ogg Director

Bruce Pertzel Director

Piers Reynolds Director

Malcolm McComas 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 (based on production in the September 2015 quarter) was \$91,427, compared with \$142,858 in the December quarter. The fall in income reflected a further decline in petroleum prices at that time, coupled with the annual revenue adjustments which arose during this period.

The outlook, however, is for improving returns as production increases and oil prices come off the bottom.

Recently released production results for the March 2016 period showed crude oil and condensate production increasing by 30% from the prior quarter, natural gas 27% and natural gas liquids (NGL) a further 11%. Production trends are positive, with crude oil and condensate returning to more normal quarterly levels following the “work to rule” industrial action, NGL levels reasonably consistent with prior periods whilst there was significantly higher seasonal gas delivery.

Daily east coast gas prices, as published by the Australian Energy Market Operator, continue well beyond the norm for the warmer months. In addition, BHP Billiton, the joint venture partner in the fields covered by the Weeks Petroleum Royalty, disclosed production in its quarterly operations review filed with the ASX on 20 April 2016 that suggests record seasonal gas output was achieved for the January to March 2016 period.

The upgrade of the processing facilities at Longford appears on track for commissioning in the second half of this calendar year. This, in turn, should have positive implications for the Kipper/Tuna/Turrum development scheduled to come on stream later this year.

***Mt Garnet*** in far north Queensland delivered a royalty payment of \$86,897 for the quarter, compared with \$89,913 in the December quarter.

The operator, Consolidated Tin Mines Limited (ASX Code: CSD), has now completed its merger with Snow Peak Mining Pty Ltd. Zinc, lead and copper concentrates production from Mt Garnet continues on a consistent basis and, based on figures provided by the operator, income should continue well into the final quarter of this calendar year. The recent lift in London Metal Exchange zinc prices should assist the underlying economics of the project.

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 priority for other projects and investments recently consummated by OceanaGold, we do not expect any substantial advance on this project until later in 2016.

The ***Bowden's Project*** in New South Wales is now the subject of a sale agreement between Kingsgate Consolidated Limited (ASX Code: KCN) and Silver Mines Limited (ASX Code: SVL) whereby Silver Mines Limited intends to acquire 85% of the project. Completion of the transaction is anticipated by 30 June 2016.

The operator at *Sam's Creek* (NZ), MOD Resources (ASX Code: MOD), announced during the quarter that it had appointed PCF Capital to divest part, or all, of MOD's 80 per cent interest in the project.

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

### ***Exploration***

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.

No exploration was undertaken during the quarter and no commitments have been entered into. The review process remains ongoing with one particular target under consideration.

### ***Corporate***

#### **Finance**

The company's cash balance at the end of March was \$3.16 million. This figure compares with \$3.45 million at the end of December and follows the payment of dividends totalling \$264,000 in March, 2016.

Royalco retains a solid balance sheet and remains debt free.

#### **General**

Royalco continues to review opportunities and any future investment will be made on an appropriate basis. During the quarter eleven royalty opportunities were assessed on both precious and base metals projects. However, vendor terms were sub-economic, the opportunity failed to meet our requirements or the potential vendor simply declined to consider any proposal. One exploration play remains under consideration, as does a fresh petroleum royalty financing.



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")

March, 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors*	179	591
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(17) - - (207)	(60) - - (667)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	23	72
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	(7)
	(22)	(71)
<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 (c) other fixed assets	- - -	- (36) -
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)	-	-
	-	(36)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(22)	(107)

\* 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)	(22)	(107)
	<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)*	(528)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(264)	(528)
	<b>Net increase (decrease) in cash held</b>	(286)	(635)
1.20	Cash at beginning of quarter/year to date	3,449	3,798
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,163	3,163

\*Dividend of 0.5 cents per share fully franked paid 22/03/16

### 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	118
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	30
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	95
5.2 Deposits at call	44	54
5.3 Bank overdraft		-
5.4 Other (provide details) Term Deposits	3,010	3,300
<b>Total: cash at end of quarter (item 1.22)</b>	3,163	3,449

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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> (description and conversion factor)	-		<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> (totals only)	-			
7.12	<b>Unsecured notes</b> (totals only)	-			

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

**Tenement Status for Quarter ending 31 March 2016**

Tenement Reference	Country	Tenement Holder	Acquired 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.



29th April, 2016

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.