



Quarterly Activities Report

(Quarter ended 31 March 2019)

HIGHLIGHTS:

- Royalty payment of \$163,558 received in February for the December quarter for the Weeks Royalty;
- Agreement signed for the Sale of Royalco's Weeks Royalty Interest post the end of the quarter; and
- Strong Cash Position of \$2.4m.

CORPORATE DETAILS

ASX Code:	RCO
Issued Capital:	52,714,183 shares
Shareholders:	164
Share Price:	21.0 cents
Market Capitalisation:	\$11.0 million
Cash/Liquids (31 Dec.):	\$2.401 million

Directors:

Sue Thomas
Non-Executive Chair

Malcolm McComas
Non-Executive Director

David Croll
Non-Executive Director

Company Secretary:

Justin Clyne

Substantial Shareholders:

Fitzroy River Corporation, Noontide Investments, Samuel Terry Asset Management and High Peak Royalties.

Royalco Resources Limited (**Royalco, RCO or Company**) is pleased to report on its activities during the quarter ended 31 March 2019.

1. Corporate:

1.1 Summary of Announcements During the Quarter:

Date:	Announcement
31 January	Quarterly Activities and Cashflow Reports
8 March	Half Year Accounts

Table 1: Summary of ASX releases by Royalco during the March Quarter.

1.2 Weeks Royalty Sale Process:

During the quarter the sales process for Royalco's 1% beneficial interest in the Weeks Royalty continued with a binding Assignment Deed being signed with Royal Energy Pty Ltd (**Royal Energy**) post the end of the quarter. On 9 April Royalco announced the sale of the Weeks Royalty to Royal Energy for a cash price of \$5.8m. The terms of the transaction were announced as follows:

"The sale is subject to the following Conditions Precedent (CP):

- *Royal Energy completing its funding arrangements for the acquisition (**Funding Condition**); and*
- *Royalco shareholders approving the sale at an Extraordinary General Meeting (**EGM**).*

The parties have agreed a period for Royal Energy to satisfy the Funding Condition and, upon satisfaction thereof, the Company expects to distribute a Notice of EGM to its shareholders outlining the approval requirements for the disposal of the Weeks Royalty via resolutions to be put to shareholders at the EGM. During the Funding Condition period, Royalco will draft the EGM Notice and liaise with ASX to ensure that the EGM Notice can be dispatched immediately after satisfaction of that condition.

The EGM is expected to be held in June 2019 with settlement of the transaction expected to take place shortly thereafter.

In addition to the CPs, the Assignment Deed also contains clauses pertaining to:

- *The parties sharing in equal proportion the royalty income from the Weeks Royalty from 1 January 2019 up to settlement of the transaction;*
- *Termination events;*
- *Exclusivity and no shop/no talk arrangements between the parties;*
- *Standard representations and warranties for a transaction of this type; and*
- *Other customary terms and conditions..."*

In the absence of a superior proposal, the Royalco Board intends to unanimously recommend shareholders vote in favour of the transaction, and each director who controls shares in Royalco intends to vote those shares in favour of the transaction.

Royalco is also pleased to note that the Company's major shareholder, Fitzroy River Corporation Limited (**ASX: FZR**), has advised the parties that, in the absence of a superior proposal, it currently intends to vote in favour of the various resolutions at the EGM.

Royalco will make appropriate further announcements upon Royal Energy satisfying the Funding Condition and further advises that, subject to the receipt of an appropriate tax ruling from the ATO, the Board's intention is to distribute to Royalco shareholders a cash amount closely representing the net sale proceeds (after transaction costs).

Shareholders will be advised of further details relating to the distribution at the appropriate time.

1.3 Finance:

There was an increase in the Company's cash balance at the end of the March quarter which was \$2.401m, compared to \$2.348m at the end of December.

2. Royalty Interests:

2.1 Weeks Royalty:

Income received during the quarter (based on production for the 3-month period ended 31 December 2018) was \$163,558 (*previous quarter - \$232,012 – 3 months to 30 September 2018*), (*prior corresponding quarter last year - \$139,819 – 3 months to 31 December 2017*).

2.2 Reefton-Blackwater:

See update in Royalco's Quarterly Activities Report lodged with the ASX on 27 July 2018, in relation to the Agreement between Oceana Gold and Tasman Mining. No further updates are available at this date.

2.3 Sam's Creek:

In its Quarterly Activities Report released 26 April 2019, MOD Resources Ltd stated in relation to the Sam's Creek project:

"...Sams Creek is a substantial undeveloped gold project with >1 million-ounce porphyry hosted gold resource ... which remains open at depth and along strike, supporting significant additional exploration potential. The Company ... is considering opportunities to divest this non-core project..."

Royalco will continue to watch developments on the proposed divestment of this asset.

2.4 Other Royalties:

There were no activities of substance to report during the quarter on the Bowden's, LFB Molong or Mt Garnet royalties.

2.5 Schedule of Royalty Interests:

PROJECT	OPERATOR	ROYALTY	COMMODITY
Weeks Petroleum	ExxonMobil/Gippsland Basin JV	1% of 2.5%	Hydrocarbons
Reefton-Blackwater	Oceana Gold Ltd (ASX: OGC)	1-3% ORR	Gold
Sam's Creek	MOD Resources Ltd (ASX: MOD)	1% ORR	Gold
Mt Garnet	Consolidated Tin Mines Limited (ASX: CSD)	3% NSR	Zinc, lead, silver
Bowdens	Silver Mines Ltd (ASX: SVL)	1 – 2 % NSR	Silver
LFB (Molong)	Regis Resources Ltd (ASX: RRL)	3% NSR	Gold, copper

Table 2: Schedule of royalty interests.

2.6 Information Pursuant to Listing Rule 5.4.3:

In accordance with ASX Listing Rule 5.4.3, but noting its several royalty interests as described above, Royalco advises that:

- 1) No petroleum tenements were held at the end of the Quarter;
- 2) No petroleum tenements were acquired or disposed of during the Quarter;
- 3) The beneficial percentage interests held in farm-in or farm-out agreements at the end of the Quarter was nil; and
- 4) The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the Quarter was nil.

3. Events Subsequent to the Quarter:

Subsequent to the end of the quarter, the Company announced that it has signed a binding Deed of Assignment with Royal Energy Pty Ltd for the sale of Royalco's Weeks Royalty Interest (*refer ASX announcement 9 April 2019*).

Susan Thomas



Non-Executive Chair

Dated: 29 April 2019

About Royalco Resources Limited (ASX: RCO):

Royalco Resources Limited is an ASX listed resources company that owns a portfolio of royalty opportunities in hydrocarbons, gold, zinc, copper, silver and other minerals located primarily in Australia and New Zealand. Royalco's Tier 1 asset is a 1% interest in the Weeks Petroleum Royalty that covers 20 producing fields with 19 platforms in the offshore Gippsland Basin owned by ExxonMobil (operator) and BHP Billiton.