



9 March 2018

Company Announcements Office
ASX Limited

Commencement of Sale Process of the Weeks Royalty

Royalco Resources Limited (ASX: **RCO**) (**Royalco** or **Company**) provides this update in relation to the sales process for the Company's 1.0% interest in the Weeks Royalty.

Further to the update of 13 February, the Company is pleased to advise that the sales process has now commenced and prospective bidders are in the process of being contacted and will be provided with a copy of the attached flyer containing a summary overview of the Weeks Royalty.

A data room for parties who lodge acceptable Expressions of Interest will open from 9 April with binding offers required by 13 May 2018.

As previously advised, the sale process will be supervised by the Company's independent director Mr Geoff Barker.

GEOFF BARKER

Independent Non-Executive Director

About Royalco Resources Limited (ASX: RCO)

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

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Opportunity to acquire 1% interest in

Weeks Petroleum Royalty

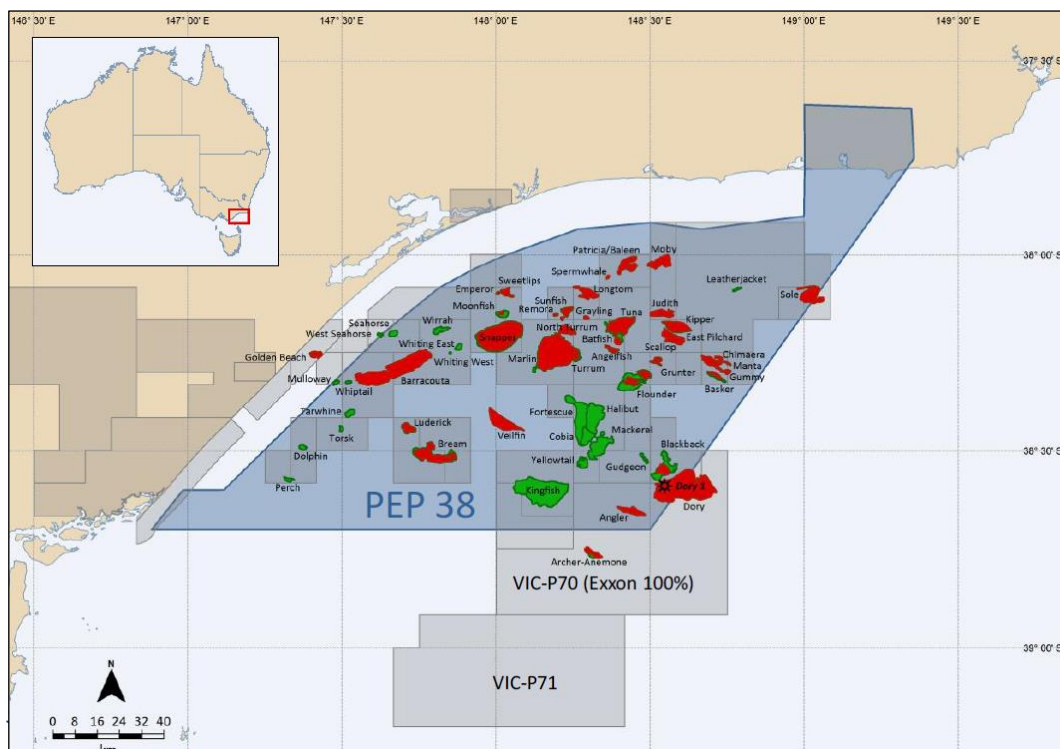
Overview

- Royalco Resources Limited (Royalco) – an ASX-listed resources company based in Sydney – intends to sell its 1% interest in the Weeks Petroleum Royalty (Weeks Royalty).
- Weeks Royalty represents a 2.5% over-riding royalty from the hydrocarbon production of the Bass Strait region, located between Tasmania and the Australian mainland.
- Income from the interest averaged AUD 556,000 over the past three years.
- Potential future income streams will benefit from favourable gas and oil price developments.
- The sale process is intended to proceed in two stages, commencing with a non-binding Expression of Interest (EOI) followed by the submission of a legally binding Offer.

Weeks Royalty

- Weeks Royalty is the subject of a 1960 arrangement between the late Dr Lewis Weeks and BHP.
- It covers Petroleum Exploration Permit No. 38 (PEP 38) located offshore Victoria in the Gippsland Basins with an area of 4,450 km².
- Weeks Royalty currently covers 20 oil and/or gas producing fields with 19 offshore platforms jointly owned 50/50 by ExxonMobil (operator) and BHP Billiton, and includes the Kipper project (Exxon/BHP 65%).
- The royalty agreement is administered by Oil Basins Limited, registered in Bermuda.

Original Area and Current Licences



Investment Highlights

- Unlike the limited number of other Australian hydrocarbon royalties, Weeks Royalty can be classified as a Tier 1 royalty as the underlying project area continues to offer both long life and commercially significant returns.
- The over-riding royalty entitles the holder to a percentage of net production revenues and thus offers an attractive risk/return profile.
- Regular cash flows provide a steady source of income.

Weeks Royalty received by Royalco over the past three years and first quarter FY18

FY15	FY16	FY17	Q1-FY18
AUD 593,628	AUD 527,599	AUD 546,526	AUD 162,261

- Based on data provided by the Australian Electricity Market Operator (AEMO) and Royalco analysis in the medium term low priced legacy gas contracts will expire, affording the opportunity to re-contract the gas at higher prevailing East Coast prices.

Transaction Process

- Baron Partners Limited (Baron) has been mandated by the Board of Royalco as transaction advisor.
- The transaction process for the acquisition of the Royalty Interest is intended to proceed in two stages.
- Stage 1 will involve the preparation, lodgement and evaluation of a written, non-binding EOI based on the content of an Information Memorandum.
- Stage 2 will involve a limited number of Prospective Purchasers being given the opportunity to undertake due diligence and data room access before submitting final legally binding Offers.
- Interested parties will be required to sign a confidentiality agreement and will receive an Information Memorandum containing more details about the opportunity and further instruction regarding the transaction process.
- Data room will open from 9 April to parties who lodge acceptable EOIs; binding offers by 13 May.
- The eventual sale of the interest is subject to the approval of Royalco shareholders (due to ASX listing rule), and the Bermudan authorities.
- Information requests and questions must be directed to Baron.

Cautionary Statement

To the extent that this document contains statements about expected or anticipated future events and financial results that are forward-looking in nature, those statements are subject to certain risks and uncertainties (such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and economic factors and conditions, the occurrence of unexpected events and management's capacity to execute and implement its future plans). Actual results may differ materially from those projected by management. Timetable is subject to change.

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