



21 November 2017

Company Announcements Office

ASX Limited

### **Company Update**

The Board of Royalco Resources Limited (ASX: **RCO**) (**Royalco** or Company) is pleased to provide this Company update to shareholders.

Over the past 6 months, the Board has worked on reducing operating costs and reviewing the portfolio of royalty interests. In the 2017 Financial Year (**FY17**), total expenses were approximately \$1.5m and cash operating costs were \$1.06m. Following the departure of former Executive Chairman Peter Topham in September and Company Secretary Nick Boicos in October, cash operating costs going forward will be significantly reduced to approximately \$300-400k annually. However, the financial performance for the current 2018 Financial Year (**FY18**) will be adversely affected by various one-off costs including the cost of redundancies and payout of entitlements.

The Board has also spent time understanding the potential of Royalco's royalty assets. In FY17, the Weeks royalty generated \$546k (FY16: \$527k) and the Company expects that it will generate at least this amount again in FY18. This is based on an expectation that ExxonMobil and BHP Billiton may reduce gas production to volumes comparable to pre-2016 averages. Any reduction in gas production may be offset by anticipated rising gas prices as existing contracts are replaced by new gas sales agreements at increased prices.

The non-cash costs of amortization and depreciation were \$431k in FY17 and this amount is expected to be approximately \$425k in FY18. Thus, Royalco is not expected to report a profit in FY18, based on current commodity prices and production volumes and in the absence of any material contribution from the Mt Garnett royalty or any other royalty in the Company's portfolio.

As noted in the Company's September 2017 Quarterly Activities Report (*refer ASX release 31 October 2017*), the potential of the Company's other royalties is uncertain, of long duration and not possible to predict with any accuracy at this stage.

The Board would like to further reduce Royalco's operating costs. However, it is difficult to see any significant further reductions while the Company remains listed on the ASX. Accordingly, given the substantial costs associated with remaining a listed entity and the lack of liquidity in Royalco shares, the Board will continue to explore capital

management options including such things as a buyback, the impact of a delisting and alternative liquidity options where they might enhance returns for investors.

**Sue Thomas**

Non-Executive Chair

**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 6 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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**Registered Office and Principal Place of Business:  
Suite 6.02, Level 6, 28 O'Connell Street, Sydney NSW 2000**

**Mail: GPO Box 4626, Sydney NSW 2001**

**T: + 61 2 9048 8856**

**W: [www.royalco.com.au](http://www.royalco.com.au)**