

## December 2016 Quarterly Report

31 January 2017

*Fitzroy River Corporation Limited launched an off-market bid at 20 cents a share on 14 December 2016. As of 30 January 2017 Fitzroy is entitled to 43.26 per cent of Royalco Resources Limited shares on issue. Royalco directors have unanimously recommended acceptance of the bid.*

### KEY POINTS FOR THE QUARTER

- Royalty payments of \$139,500 received in the December quarter were derived from only the Weeks Royalty.
- The December Weeks payment reflects annual adjustments and is invariably lower than some expectations.
- The Weeks Royalty interest benefited from improved Bass Strait petroleum production, along with record spot gas prices along the east coast of Australia.
- Commissioning of the gas processing facilities at Longford began during the quarter.
- The Bowdens silver project, where Royalco retains a sliding scale royalty interest, is being advanced by Silver Mines Limited.

### CORPORATE DETAILS

ASX Code:	RCO
Issued Capital:	52,714,183 shares
Share Price:	20 cents
Market Capitalisation:	\$10.4 million
Cash/Liquids:	\$2.694 million
Directors:	
Peter Topham	Executive Chairman & Managing Director
Bruce Pertzel	Director
Nick Boicos	Director

Substantial Shareholders:  
Fitzroy River Corporation, Noontide  
Investments and High Peak Royalties.

*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 2016 quarter) was \$139,500, compared with \$181,073 received in the September quarter. The outlook is for a continued improvement in returns as production increases and gas prices continue to rise.

The upgrade of the processing facilities at Longford is now ramping up.

In an investor briefing on 5 October 2016, BHP Billiton highlighted other investment opportunities for Bass Strait, including progressing the West Barracouta field and upgrading the Snapper field.

The ***Bowdens Project*** near Mudgee in New South Wales, where Silver Mines Limited (ASX code: SVL) is the new operator, remains the subject of both infill and extension drilling. Royalco's sliding scale royalty over the project starts at a 2% net smelter return until US\$5 million has been received, and then becomes a 1% net smelter return thereafter.

At ***Mt Garnet*** in far north Queensland, a Deed of Company Arrangement was executed by the operators on 8 December 2016. A formal shareholders meeting is scheduled to be held in March at which time the moneys due and payable to Royalco should have been clarified.

***Mt Lyndhurst*** tenements, over which Royalco retained a royalty interest, were relinquished by the operators during the quarter.

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.

## ***Corporate***

### **Director Changes**

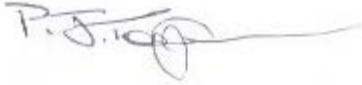
Mr Malcolm McComas resigned from the board of directors with effect from 14 October 2016. Mr Piers Reynolds resigned from the board of directors on 24 November 2016. Mr Nick Boicos joined the board as a non-executive director on 24 November 2016.

### **Extraordinary General Meeting**

Following voting at the Annual General Meeting on 24 November 2016 a second strike was recorded on the remuneration report and the company is now progressing to a spill meeting on 22 February 2017.

## **Finance**

The company's cash balance at the end of June was \$2.694 million. Costs during the quarter were significantly higher than anticipated as a result of takeover and Extraordinary General Meeting legal fees and associated administrative charges.

A handwritten signature in black ink, appearing to read "P. J. Topham", with a long horizontal flourish extending to the right.

Peter J Topham

Executive Chairman  
& Managing Director

## 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, 01/05/13, 01/09/16

### Name of entity

Royalco Resources Limited

### ABN

53 096 321 532

### Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	140	369
1.2 Payments for		
(a) exploration & evaluation	(8)	(19)
(b) development	-	-
(c) production	-	-
(d) staff costs	(122)	(276)
(e) administration and corporate costs	(169)	(275)
1.3 Dividends received (see note 3)	-	
1.4 Interest received	15	41
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(7)	(12)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(151)</b>	<b>(172)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	(18)
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(18)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid*	-	(264)
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(264)</b>

\*Dividend 0.5 cent per share fully franked paid 27/9/16

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,845	3,148
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(151)	(172)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(18)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	(264)
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>2,694</b>	<b>2,694</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	102	122
5.2 Call deposits	5	91
5.3 Bank overdrafts	-	-
5.4 Other (provide details) Term Deposits	2,587	2,632
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,694</b>	<b>2,845</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	130
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	20
9.2 Development	-
9.3 Production	-
9.4 Staff costs	120
9.5 Administration and corporate costs	140
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>280</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....

Date: 31 January 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.