

## March 2014 Quarterly Report

28th April 2014

Royalco Resources retains strong growth potential supported by the interest in the Weeks Petroleum Royalty which will underpin cash flow for many years to come. A healthy cash position and ongoing cash flow provide a sound platform for expansion opportunities.

### KEY POINTS

- ROYALTIES:** The interest in the Weeks Petroleum Royalty paid \$180,255 for the production quarter ending December 2013. The outlook remains extremely positive for this interest, with rising gas prices anticipated and the exceptionally long projected life of this project.

In precious metals, slow progress continues on the Blackwater and the Sam's Creek Projects in New Zealand, and Bowdens in New South Wales.

- EXPLORATION:** Royalco retains a well funded cash position and is vigorously reviewing opportunities both onshore and offshore.
- DIVIDEND:** A 1 cent interim dividend was paid in February.

*The company's strategy is to expand a core royalty portfolio of income-producing base, 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.*

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 23 cents

Market Capitalisation: \$12.1 million

Cash/Liquids: \$4.75 million

#### Major Shareholders

Acorn 14.89%

Directors 19.01%

Anglo Pacific 29.37%

#### Directors

Peter Topham Executive Chairman

David Ogg Director

Bruce Pertzelt Director

Piers Reynolds Director

## ***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 was \$180,255, representing payment for the three-month period ending 31 December 2013.

Receipts from this interest traditionally turn down in the summer periods as gas sales slow. The annualised rate of income remains in the range of \$750,000 to \$800,000.

This rate is expected to increase in 2016 as long term gas contracts roll over into a higher price regime and additional production from the Kipper Tuna Turrum development starts to come onstream in greater volumes.

As previously advised, the operator at ***Reefton*** in New Zealand, OceanaGold, has provided an upgraded Inferred Resource estimate for the ***Blackwater Deposit*** of 600,000 high grade ounces of gold, with a prefeasibility study now due. The conclusions of this study will be, not surprisingly, highly dependent on the current spot price for the yellow metal and its future outlook – neither is particularly positive in the prevailing commodity price climate. Of note, historical guidance from the scoping studies for ***Blackwater*** suggested an annual production rate of 50,000 to 60,000 ounces. If achieved, and using the current spot price for gold, Royalco would receive 1500-1800 ounces annually, or approximately \$2.1-\$2.5 million a year.

The ***Bowdens Project*** in NSW, where Kingsgate Consolidated Limited is the operator, falls into a similar category to Blackwater – being reliant to a large degree on prevailing and forecast commodity prices (silver in this instance). A definitive feasibility study is due for completion this calendar year. The Royalco royalty interest in this project starts at a 2% net smelter return until \$US5 million has been received, then reverts to a 1% net smelter return for the life of the mine.

At the ***Sam's Creek Project*** in New Zealand, where Royalco holds a 1% royalty interest, MOD Resources Limited has reported a resource in excess of 1 million ounces of gold, though little activity has been reported in the year to date.

No activities of substance have been reported on the royalty interests held at ***LFB, Lyndhurst, Red Dam, Mt Garnet, or Stanton***. In ***Uganda*** the Government (DGSM) is yet to process tenement transfers and an administrative review has been requested of the relevant Minister.

## ***Exploration***

The rationale for Royalco's exploration initiatives is to generate royalties and free-carried interests in a portfolio of projects. It is not necessarily the company's intention to be the operator of any mining project. Third parties would probably be introduced to develop any discovery made.

In the Philippines, exploration activities are on hold pending Phase 3 renewal. This phase covers the Cableway Prospect which is the highest priority target in the Gambang tenements. The relevant government agency, MGB, has effectively shut down the processing of tenement renewals despite verbal assurances to the contrary. No indication has been provided as to when this informal moratorium can be expected to be lifted. Of note, several major mining groups have expressed interest in this project in the past and it is expected this interest will be consummated once renewal is achieved. In the meantime the Gambang tenements have been placed on care and maintenance.

The downturn in most commodity prices, coupled with a depressed sharemarket for junior explorers, has had the effect of filtering out second ranked projects and allowing for the potential participation in better quality exploration targets. Royalco has reviewed a large number of opportunities, both in Australia and overseas over recent months and announcements of fresh initiatives can be expected in the near term.

## ***Corporate***

Income from the Weeks Petroleum Royalty interest broadly matches anticipated head office and exploration costs. Royalco remains well placed to take advantage of opportunities that prevailing market conditions may present. The cash position as at 31 March 2014 was \$4.75 million.

Reductions in head office and field exploration costs have been implemented.

A fully franked dividend of 1 cent per share was paid in February. Royalco retains a healthy balance in its franking account and a similar dividend rate is expected through to 2015.

***The information in this report as it relates to geology, geochemical, geophysical and exploration results was compiled by Mr. Bruce Pertzelt FAusIMM, who is a Competent Person and has in excess of 5 years' experience in the minerals industry and the activities being reported on. Mr. Pertzelt is a director of the company and consents to the inclusion of this information in the form and context in which it appears in this report.***



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, 2014

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9months) \$A'000
1.1 Receipts from product sales and related debtors*	180	546
1.2 Payments for (a) exploration & evaluation	(122)	(1,177)
(b) development	-	-
(c) production	-	-
(d) administration	(414)	(975)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	48	182
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	32	9
1.7 Other (provide details if material)	(7)	(16)
<b>Net Operating Cash Flows</b>	<b>(283)</b>	<b>(1,431)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(48)
(c) other fixed assets	-	-
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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(48)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(283)</b>	<b>(1,479)</b>

\* 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)	(283)	(1,479)
	<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 *	(527)	(1,054)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(527)	(1,054)
	<b>Net increase (decrease) in cash held</b>	(810)	(2,533)
1.20	Cash at beginning of quarter/year to date	5,561	7,284
1.21	Exchange rate adjustments to item 1.20		
		4,751	4,751
1.22	<b>Cash at end of quarter</b>		

\* Dividend of 1 cent per share (fully franked) paid 28/02/2014

**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	321
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Inclusive of Executive Director termination entitlements

**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	150
4.2 Development	
4.3 Production	
4.4 Administration	200
<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	181	522
5.2 Deposits at call	293	253
5.3 Bank overdraft		-
5.4 Other (provide details) Term Deposits	4,277	4,786
<b>Total: cash at end of quarter (item 1.22)</b>	4,751	5,561

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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	EL-0006-11 Philippines	Exploration Licence	100%	Nil
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	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 2014**

Tenement Reference	Country	Tenement Holder	Acquired Interest during the Quarter	Disposed Interest during the Quarter	Interest held (%)	NOTE
EP-001A-CAR	Philippines	Royalco Philippines Inc			100%	
EP-005A-2008 CAR	Philippines	Royalco Philippines Inc			100%	
EP-005B-2008 CAR	Philippines	Royalco Philippines Inc			100%	
EP-0006-II	Philippines	Royalco Philippines Inc		100%	Nil	
EL 0962	Uganda	Royalco Resources Ltd			100%	All Uganda Tenements in process of transfer to Blackstone Ichiban Limited (Notified 27/8/2013)
EL 1077	Uganda	Royalco Resources Ltd			100%	
EL 1082	Uganda	Royalco Resources Ltd			100%	
EL 1109	Uganda	Royalco Resources Ltd			100%	

+ 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.



28 April, 2014

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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