

## December 2013 Quarterly Report

28 January 2014

The interest in the Weeks Petroleum Royalty continues to underpin cash flow for Royalco Resources and should do so for many years to come.

### KEY POINTS

- ROYALTIES:** The payment from the interest in the Weeks Petroleum Royalty was \$211,000 for the production quarter ending September 2013. The outlook remains extremely positive for this interest with rising gas prices and the exceptionally long projected life of production.

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

- EXPLORATION:** Renewal of Gambang (copper) Phase 3 tenement in the Philippines is still pending. Other opportunities are under consideration.
- DIVIDEND:** A 1 cent interim dividend has been declared by the Board. Payment details will be provided shortly.

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 28 cents

Market Capitalisation: \$14.8 million

Cash/Liquids: \$5.56 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

*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.*

## ***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 \$211,675, representing payment for the three-month period ending 30 September 2013.

An Investor Briefing that BHP Billiton, the holder of a 50 per cent interest in Bass Strait, released to the ASX on 11 December 2013 highlights the long life potential of this premium royalty interest. (A copy of the relevant slide from the presentation is attached to this report.)

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. 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, this would result in the receipt of 1500-1800 ounces annually, or approximately \$2.1-\$2.5 million a year, payable to Royalco.

At the ***Sam's Creek Project*** in New Zealand, where Royalco holds a 1% royalty interest, MOD Resources Limited reported on 9 October 2013 a resource of 1.01 million ounces of gold following recent drilling. MOD is earning up to an 80% interest in this project from OceanaGold.

At the ***Bowdens Project*** in NSW, where Kingsgate Consolidated Limited is the operator, a definitive feasibility study is now 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.

No activities of substance have been reported on the royalty interests held at ***LFB, Lyndhurst, Red Dam, Mt Garnet, Stanton or Uganda***. The DGSM in Uganda is yet to process tenement transfers.

## ***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.

### ***Philippines***

#### **Gambang (copper) 100%**

Phase 1 has recently been renewed; Phase 3 renewal is awaited. Exploration activities are effectively on hold pending Phase 3 renewal. (Phase 3 covers the Cableway Prospect).

As advised in the September 2013 Quarterly Report, a review of mineralisation in the Tokla Diatreme area has now been completed. This review assessed all available exploration data

dating back to the mid-1970s. It has been concluded that it is not possible to generate a resource estimate that would be compatible with contemporary standards of resource estimate practices as outlined in the updated JORC Code (2012).

This review has shown there is unquantified copper mineralisation hosted in both phreomagmatic breccias and mineralised intrusive rocks, with possible molybdenum and gold by-product contents, at the Innabba Prospect (formerly known as the Eastern Breccia Prospect). This mineralisation is deemed non-commercial on a stand-alone basis at this point because the likely average copper grade will not exceed 0.4%. There may be an opportunity at some later date for this mineralisation to provide additional material to any future mining operation established on the basis of new discoveries of copper mineralisation elsewhere in the Gambang Project area, such as at Cableway.

### **Pao (gold/copper) 100%**

This tenement is in the process of being relinquished following disappointing exploration results.

### ***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 December 2013 was \$5.56 million.

As announced to the ASX on 9 December 2013, David Ogg stepped down as an executive director with effect from 31 December 2013 to become a non-executive director. As also announced to the ASX on that date, executive chairman Peter Topham has agreed to a new employment contract at reduced remuneration and Nick Boicos has been appointed sole company secretary. Other reductions in head office and field exploration costs have been implemented.

A fully franked dividend of 1 cent per share will be paid later in February. Final details will be advised to the ASX in due course.

***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.***



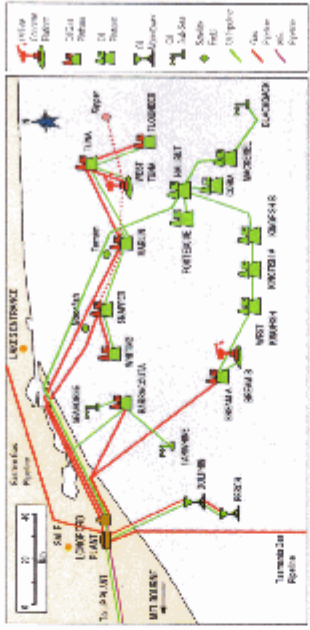
Peter J Topham  
Executive Chairman

# Bass Strait – our largest Conventional asset

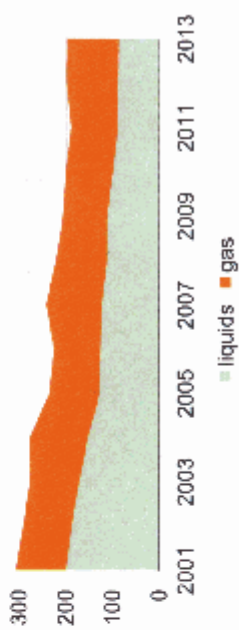


- Delivered first production more than 40 years ago
- Project execution challenges at Turrum and Kipper resulted in revisions to original budget and schedule
- Longford gas conditioning plant on budget and schedule with start-up CY16; Kipper mercury removal anticipated start-up CY16
- Turrum and Kipper will deliver valuable additional wet gas partially offsetting liquids decline
- Eastern Australia gas prices expected to strengthen with new LNG demand and rising costs of supply
- Assessing additional opportunities to extend gas plateau production through 2030 and beyond

## Bass Strait assets



**Bass Strait production**  
(kboe/d, 100% basis)



Operator	Esso	Resources <sup>1</sup>	664 MMboe
Working interest	50%		
First production date	1969		
FY13 net production	36 MMboe		

1. 2P-2C remaining resource as at 30 June 2013, BHP Billiton share.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Royalco Resources Ltd

ABN

53 096 321 532

Quarter ended ("current quarter")

December, 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6months) \$A'000
1.1 Receipts from product sales and related debtors *	212	366
1.2 Payments for (a) exploration & evaluation	(320)	(1,055)
(b) development	-	-
(c) production	-	-
(d) administration	(267)	(561)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	61	134
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(23)
1.7 Other (provide details if material)	(9)	(9)
<b>Net Operating Cash Flows</b>	<b>(323)</b>	<b>(1,148)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(48)	(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>(48)</b>	<b>(48)</b>
1.13 Total operating and investing cash flows (carried forward)	(371)	(1,196)

\* Royalties received.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(371)	(1,196)
	<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)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	(527)
	<b>Net increase (decrease) in cash held</b>	<b>(371)</b>	<b>(1,723)</b>
1.20	Cash at beginning of quarter/year to date	5,932	7,284
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>5,561</b>	<b>5,561</b>

\* Dividend of 1c per share (fully franked) paid 02/09/2013.

**Payments to directors of the entity and associates of the directors**  
**Payments to 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	161
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**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

Nil

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

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

Amount available \$A'000	Amount used \$A'000
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+ See chapter 19 for defined terms.

3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	-
4.3	Production	-
4.4	Administration	420
<b>Total</b>		<b>620</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	522	261
5.2 Deposits at call	253	318
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank term deposits	4,786	5,353
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,561</b>	<b>5,932</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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> <i>(description)</i>				
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> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	- - -	- - -	<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> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ 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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 28<sup>th</sup> January, 2014  
.....  
(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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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