

## June 2015 Quarterly Report

27th July 2015

**Receipts from the Mt Garnet royalty interest more than offset the short term adverse effects of industrial action on the Weeks Royalty in Bass Strait.**

### KEY POINTS

A payment of \$146,782 was received under the Mt Garnet royalty interest for sales relating to production in the March quarter. The operator expects sales from production under this royalty to continue into 2016.

Industrial action in Bass Strait caused a substantial decline in petroleum production during the reporting period, reducing the Weeks Petroleum Royalty. A payment of only \$66,356 was received during the quarter compared with \$139,525 in the prior period.

This payment decline is regarded as a “one off” as production levels appear to have resumed at more normalised rates, based on recent reports.

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 21 cents

Market Capitalisation: \$11.1 million

Cash/Liquids: \$3.8 million

#### Major Shareholders

Directors	19.43%
Noontide	12.79%
High Peak	19.99%
Acorn	14.89%

#### Directors

Peter Topham	Executive Chairman
David Ogg	Director
Bruce Pertzel	Director
Piers Reynolds	Director

*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 was \$66,358, representing payment for the three months ending 31 March 2015.

Allowing for seasonal factors and the decline in petroleum prices, anticipated income would have been in the range of \$135,000 to \$155,000 if not for the unforeseen industrial action. It is our understanding that more usual production rates resumed during the most recent quarter.

The BHP Billiton Operational Report, issued to the ASX on 22 July 2015, said Bass Strait production for the period ending 30 June was 47.7% higher than for the March quarter in terms of crude oil and condensate and 74.3% higher for natural gas. This improvement should increase RCO's royalty income during the current quarter.

No results have been announced to date from the ongoing drilling program covering the Turrum oil and gas field.

At ***Mt Garnet*** in far north Queensland, the operator, Consolidated Tin Mines Limited (ASX Code: CSD), has made a royalty payment of \$146,782. This follows a payment of \$144,555 made in the previous period.

Based on recent favourable announcements by the operator to the ASX and on direct discussions held with the company, royalty income is expected to continue through the first half of 2016.

OceanaGold (ASX Code: OGC), operator of the ***Blackwater Project*** at Reefton in New Zealand, has yet to make a decision to advance the project. However it was noted that, in a company interview lodged with the ASX on 8 April, the managing director commented: "We expect some positive news from New Zealand at Macraes, from exploration and project development at Round Hill and Blackwater."

No activities of substance have been reported during the quarter on the other royalty interests held.

## ***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 most likely be introduced to develop any discovery made.

Management time continues to be focused on completing studies which reflect:

- a) a strong bias in favour of base and precious metals,
- b) projects located in resource development-"friendly" regions,
- c) projects at an advanced stage of identifying acceptable commercial potential, and

- d) projects that possess a readily identifiable exit strategy, i.e. sale for capital profit and/or royalty creation.

A number of potential projects have been identified in southern Europe with negotiations now at a preliminary stage on one particular project area.

As previously advised, exploration activities in the Philippines have ceased with the remaining tenements now subject to a royalty with a private concern.

### ***Corporate***

The cash balance at the end of June was \$3.8 million – the same balance as for the previous quarter.

Numerous investment possibilities continue to arise associated with the current weakness in commodity prices and consequent equity availability. Unrealistic attitudes by vendors, coupled with fragile project economics, unfortunately still clutter the resources sector and our Board remains somewhat risk-averse when considering these “opportunities”.

A handwritten signature in black ink, appearing to read 'P. J. Topham', followed by a long horizontal flourish.

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")

June, 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors*	213	977
1.2 Payments for (a) exploration & evaluation	(125)	(353)
(b) development	-	-
(c) production	-	-
(d) administration	(194)	(954)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	47	151
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) 1	61	61
<b>Net Operating Cash Flows</b>	<b>2</b>	<b>(118)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(4)
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>(4)</b>
1.13 Total operating and investing cash flows (carried forward)	2	(122)

\* Royalties received

1 Research & Development claim net proceeds

**Appendix 5B****Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	2	(122)
	<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	-	(791)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	(791)
	<b>Net increase (decrease) in cash held</b>	-	(913)
1.20	Cash at beginning of quarter/year to date	3,796	4,711
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,798	3,798

**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	115
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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**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	100
4.2 Development	
4.3 Production	
4.4 Administration	240
<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	137	192
5.2 Deposits at call	156	125
5.3 Bank overdraft		-
5.4 Other (provide details) Term Deposits	3,505	3,479
<b>Total: cash at end of quarter (item 1.22)</b>	3,798	3,796

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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			
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
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 30 June 2015**

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%	Nil	
EP-005A-2008 CAR	Philippines	Royalco Philippines Inc		100%	Nil	
EP-005B-2008 CAR	Philippines	Royalco Philippines Inc		100%	Nil	

+ 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.



27 July, 2015

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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