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December 2015 Quarterly Report

29 January 2016

The downward spiral in oil prices coupled with ongoing industrial action in Bass Strait continues to impact receipts from the Weeks Royalty interest. Income from Mt Garnet continues on a steady basis.

KEY POINTS

Royalty payments totaled more than \$230,000 for the quarter – \$142,858 from the Weeks Royalty and \$89,913 from Mt Garnet.

Opportunities to acquire fresh royalties continue to be offered to the company. However, either asset quality or the required vendor terms have proved commercially unattractive.

At the Annual General Meeting held in November, the Section 249D proposition was soundly defeated and the existing Board remains in place. This unwarranted process was both time-consuming and costly. Our Board thanks the substantial majority of shareholders for their loyal support.

Experienced investment banker Malcolm McComas has been appointed a non-executive director.

CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 21 cents

Market Capitalisation: \$11 million

Cash/Liquids: \$3.5 million

Major Shareholders

Directors	19.43%
Noontide	16.40%
High Peak	20.91%
Acorn	8.63%
Fitzroy	6.31%

Directors	
Peter Topham	Executive Chairman
David Ogg	Director
Bruce Pertzel	Director
Piers Reynolds	Director
Malcolm McComas	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 \$142,858 (\$163,075 the previous quarter), representing payment for the three months ending 30 September 2015. The fall in income reflects the ongoing decline in petroleum prices, coupled with the annual adjustments which fall due during this period. Production for the September quarter of liquids increased by 10% from the June quarter, gas 21% and NGL a further 35%.

Subject to actual sale prices received, we can expect a further reduction in royalty income from the Weeks interest this quarter, based on a seasonal fall in gas demand (partially offset by increased prices) and reduced liquids output caused by industrial action, and falling oil prices.

Mt Garnet in far north Queensland delivered a royalty payment of \$89,913 for the quarter. The operator, Consolidated Tin Mines Limited (ASX Code: CSD), has made recovery of ore from the Mt Garnet mine the focus of zinc and copper production and this should continue to be the case in forthcoming periods. Royalty payments have now been adjusted from a delivery-to-port price formula to one based on final assays from smelters. This adjustment has resulted in an effective time lag for royalty receipts during the latter part of the December quarter.

Royalco understands that the suspension of trading in CSD on the ASX relates to internal matters unconnected to ongoing production.

OceanaGold (ASX Code: OGC), operator of the ***Blackwater Project*** at Reefton in New Zealand, has stated that it is currently reviewing both mining methodology and capital expenditure associated with this attractive high-grade gold project. Given the priority for other projects recently consummated by OceanaGold we do not expect any substantial advancement on this project until later in 2016.

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

Exploration

The rationale for Royalco's exploration initiatives is to generate royalties and free-carried interests in a portfolio of projects. As previously indicated, management time continues to be focused on opportunities offering a strong bias in favour of base and precious metals.

No exploration was undertaken during the quarter and no commitments have been entered into. The review process is ongoing.

Corporate

Finance

The company cash balance at the end of December was \$3.45 million. This figure compares to \$3.47 million as at the end of September.

Royalco has no debt.

Results of Annual General Meeting

As part of the Royalco 2015 Annual General Meeting, shareholders dealt with a number of resolutions relating to a Section 249D Notice served on the company by High Peak Royalties Limited – a substantial shareholder in the company and also a competitor in the natural resources royalty sector in which Royalco operates.

These resolutions were comprehensively defeated, both in terms of total votes and actual number of shareholders entitled to vote. The Royalco Board of Directors wishes to thank shareholders for their support through this unwarranted process.

The costs associated with this component of the meeting were approximately \$40,000 which cannot be recouped from High Peak. In addition, the action caused a significant diversion of management time.

The Royalco Remuneration Report was voted down as part of the Annual General Meeting and a ‘first strike’ was recorded. A significant portion of this vote relates to the machinations behind the Section 249D Notice.

In the meantime we continue to monitor corporate overheads in a responsible manner.

Director Appointment

Mr Malcolm McComas was appointed a non-executive director of the company with effect from 1 January 2016.

Malcolm has substantial experience in investment banking and public company management. Among a number of other directorships he is Chairman of Fitzroy River Corporation, a company that recently acquired a substantial shareholding in Royalco.

Royalco continues to review opportunities and any future investment will be made on a cautious basis.



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")

December, 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors*	232	412
1.2 Payments for (a) exploration & evaluation	(33)	(43)
(b) development	-	-
(c) production	-	-
(d) administration	(232)	(460)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	23	49
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(2)	(7)
	(12)	(49)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(12)	(36)
(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)	-	-
	(24)	(36)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(24)	(85)

* 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)	(24)	(85)
	Cash flows related to financing activities		
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	-	(264)
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	(264)
	Net increase (decrease) in cash held	(24)	(349)
1.20	Cash at beginning of quarter/year to date	3,473	3,798
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,449	3,449

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	108
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

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

+ 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	25
4.2 Development	
4.3 Production	
4.4 Administration	240
Total	

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	95	109
5.2 Deposits at call	54	53
5.3 Bank overdraft		-
5.4 Other (provide details) Term Deposits	3,300	3,311
Total: cash at end of quarter (item 1.22)	3,449	3,473

+ 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	Preference securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	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	*Convertible debt securities			
	<i>(description)</i>			

+ 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	Options <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	Debentures <i>(totals only)</i>	-			
7.12	Unsecured notes <i>(totals only)</i>	-			

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 December 2015

Tenement Reference	Country	Tenement Holder	Acquired Interest during the Quarter	Disposed Interest during the Quarter	Interest held (%)	NOTE

+ 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.



29th January, 2016

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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+ See chapter 19 for defined terms.