

## March 2015 Quarterly Report

28 April 2015

**A short term downturn in royalty payments from Bass Strait has been more than offset by fresh income from the Mt Garnet royalty interest.**

### KEY POINTS

The fall in oil prices, the build-up in gas availability pending the initial deliveries of LNG in Queensland and seasonal lower gas demand generally reduced receipts for the quarter from the Weeks Petroleum Royalty interest. A payment of \$139,525 for the period ending December 2014 was received.

As previously notified, production was resumed at Mount Garnet before the operation was placed in care and maintenance for the wet season. A payment of \$144,555 has been received, with a further payment expected this quarter.

Exploration activities in the Philippines have now ceased while other opportunities are being progressed in other jurisdictions.

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 18.5 cents

Market Capitalisation: \$9.75 million

Cash/Liquids: \$3.8 million

#### Major Shareholders

Acorn 14.89%

Directors 19.01%

High Peak 19.99%

#### Directors

Peter Topham Executive Chairman

David Ogg Director

Bruce Pertzell 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 \$139,525, representing payment for the three months ending 31 December 2014. Seasonal factors, coupled with a build-up in industry output pending delivery to the new LNG projects in Queensland, reduced short term gas demand. The global fall in petroleum prices also had a negative impact in the current quarter.

As briefly mentioned in the BHP Operational Report for the period ending 31 March 2015 released to the ASX on 22 April, Bass Strait production for the March quarter was adversely affected by union action. This short term impairment will impact royalty receipts due in the June quarter.

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

Of further note, AGL Energy Limited announced to the ASX on 9 April 2015 that it had entered into a Gas Supply Agreement which continued gas supply from Bass Strait until 2020. No pricing was disclosed in the release, though market rumours suggest a figure of \$6/GJ – a price well in excess of historic prices as well as current spot prices.

At ***Mt Garnet*** in far north Queensland, the operator, Consolidated Tin Mines Limited (ASX Code: CSD), has made a royalty payment of \$144,555. A further payment is due this quarter. As advised to the ASX by CSD on 15 January 2015, the mine has been placed on care and maintenance for the wet season.

OceanaGold (ASX Code: OGC), the project operator for 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 probably be introduced to develop any discovery made.

In the Philippines exploration activities have now ceased and discussions are under way to dispose of the Filipino subsidiary for a royalty interest.

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.

### ***Corporate***

The cash balance at the end of March was \$3.8 million.

Subsequent to the end of the quarter, the sum of \$60,817 was received from the Australian Taxation Office in reference to an application made for R&D exploration activities conducted in 2012/2013.

An interim dividend of 0.5 cents per share was paid during the quarter.



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, 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors*	284	764
1.2 Payments for (a) exploration & evaluation	(98)	(228)
(b) development	-	-
(c) production	-	-
(d) administration	(196)	(760)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	32	104
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>22</b>	<b>(120)</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)	(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>(4)</b>	<b>(4)</b>
1.13 Total operating and investing cash flows (carried forward)	18	(124)

\* 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)	18	(124)
	<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*	(264)	(791)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(264)	(791)
	<b>Net increase (decrease) in cash held</b>	(246)	(915)
1.20	Cash at beginning of quarter/year to date	4,042	4,711
1.21	Exchange rate adjustments to item 1.20		
		3,796	3,796
1.22	<b>Cash at end of quarter</b>		

\* Dividend of 0.5 cent per share fully franked paid 13/03/15

### 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	133
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	150
4.2 Development	
4.3 Production	
4.4 Administration	220
<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	192	185
5.2 Deposits at call	125	219
5.3 Bank overdraft		-
5.4 Other (provide details) Term Deposits	3,479	3,638
<b>Total: cash at end of quarter (item 1.22)</b>	3,796	4,042

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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 31 March 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%	
EP-005A-2008 CAR	Philippines	Royalco Philippines Inc			100%	
EP-005B-2008 CAR	Philippines	Royalco Philippines Inc			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, 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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