

## March 2017 Quarterly Report

21 April 2017

### KEY POINTS FOR THE QUARTER

- Fitzroy River Corporation Limited now holds 46.8% of Royalco's issued capital following the close of its takeover offer.
- Changes to the Board of Directors were implemented during the Quarter.
- Royalty payments of \$99,474 were received in the March quarter from the Weeks Royalty.
- Payments due from the Mt Garnet royalty have been delayed and are now anticipated to be received pre 30 June 2017.
- The Bowdens silver project, where Royalco retains a sliding scale royalty interest, is being advanced by Silver Mines Limited.

### CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Share Price: 23 cents

Market Capitalisation: \$12.1 million

Cash/Liquids: \$2.639 million

#### Directors:

Peter Topham	Executive Chairman & Managing Director
Malcolm McComas	Director
Susan Thomas	Director

#### Substantial Shareholders:

Fitzroy River Corporation, Noontide Investments, Samuel Terry Asset Management and High Peak Royalties.

*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 1.0% 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 (based on production in the December 2016 quarter) was \$99,474. This compares with \$139,500 received in the prior quarter and \$91,427 for the same period last year.

The outlook is for a continued improvement in returns as production increases and gas prices continue to rise. Recent speculation suggests that gas production has commenced from the Kipper field as part of the Kipper/Tuna/Turram multi-billion dollar development.

Tapis spot prices for crude oil are also up from A\$50 barrel twelve months ago to over A\$65 barrel more recently.

Industrial action is ongoing with litigation between the operator (ExxonMobil Australia) and the Australian Workers Union now in the High Court of Australia. This action appears to impact oil production more than gas production.

The ***Bowdens Project*** near Mudgee in New South Wales, where Silver Mines Limited (ASX:SVL) is the new operator, remains the subject of both infill and extension drilling. Royalco's sliding scale royalty over the project starts at a 2.0% net smelter return until US\$5 million has been received and then becomes a 1.0% net smelter return thereafter.

A number of positive announcements to the ASX regarding drilling results at Bowdens have been made by Silver Mines Limited on 2 February, 15 March, 23 March and 11 April. In the release dated 11 April, the company commented that:

*"Bowdens Silver is the largest undeveloped silver deposit in Australia with substantial resources and a considerable body of high quality technical work already completed. The project boasts outstanding logistics for future mine development."*

At ***Mt Garnet*** in far north Queensland, a Deed of Company Arrangement was executed by the operators on 8 December 2016. A formal shareholders meeting is to be held in May at which time the moneys due and payable to Royalco should have been clarified.

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

## ***Corporate***

The takeover offer by Fitzroy River Corporation Limited (ASX:FZR) closed on 6 March 2017 and FZR now holds 46.8% of Royalco's issued capital.

## **Board and Management Changes**

Mr Malcolm McComas, Ms Sue Thomas, Mr Justin Clyne and Mr Bruce Pertzelt were elected as directors at the General Meeting of shareholders held on 22 February 2017. Mr Justin Clyne, Mr Bruce Pertzelt and Mr Nick Boicos subsequently resigned as directors on 7 March 2017.

Mr Peter Topham's position as Executive Chairman and Managing Director has been terminated with effect from 8 September 2017 pursuant to the terms of his employment contract.

## **Finance**

The company's cash balance at the end of March was \$2.639 million. Costs during the quarter were significantly higher than anticipated as a result of increased legal fees and administrative charges associated with the takeover offer by Fitzroy River Corporation Limited and the General Meeting of shareholders.

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

Peter J Topham

Executive Chairman  
& Managing Director

## 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, 01/05/13, 01/09/16

### Name of entity

Royalco Resources Limited

### ABN

53 096 321 532

### Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	100	469
1.2 Payments for		
(a) exploration & evaluation	(7)	(26)
(b) development	-	-
(c) production	-	-
(d) staff costs	(128)	(404)
(e) administration and corporate costs	(77)	(352)
1.3 Dividends received (see note 3)	-	
1.4 Interest received	16	57
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(9)	(21)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(105)</b>	<b>(277)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	(18)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	50	50
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>50</b>	<b>32</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid*		(264)
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(264)</b>

\*Dividend 0.5 cent per share fully franked paid 27/9/16

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,694	3,148
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(105)	(277)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	50	32
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(264)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,639</b>	<b>2,639</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	41	102
5.2	Call deposits	51	5
5.3	Bank overdrafts	-	-
5.4	Other (provide details) Term Deposits	2,547	2,587
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,639</b>	<b>2,694</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
112
-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

## Mining exploration entity and oil and gas exploration entity quarterly report

**8. Financing facilities available**

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	20
9.2 Development	-
9.3 Production	-
9.4 Staff costs	125
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>245</b>

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....

Date: 21 April 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.