



## Quarterly Activities Report

(Quarter ended 31 March 2018)

### **HIGHLIGHTS:**

- Royalty payment of \$138,819 received in the March quarter for the Weeks Royalty;
- Sale process underway for the Weeks Royalty;
- Significant progress continues on reducing costs;
- The Bowdens silver project, where Royalco retains a sliding scale royalty interest, continues to be advanced by Silver Mines Limited; and
- Sam's Creek gold project in New Zealand, over which Royalco has a royalty, assigned to Condamine Resources Limited.

### **CORPORATE DETAILS**

ASX Code: RCO

Issued Capital: 52,714,183 shares

Shareholders: 174

Share Price: 26.0 cents

Market Capitalisation: \$13.7 million

Cash/Liquids: \$2.194 million

#### **Directors:**

Sue Thomas  
*Non-Executive Chair*

Malcolm McComas  
*Non-Executive Director*

Geoff Barker  
*Non-Executive Director*

#### **Company Secretary:**

Justin Clyne

#### **Substantial Shareholders:**

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

Royalco Resources Limited (**Royalco, RCO or Company**) is pleased to report on its activities during the quarter ended 31 March 2018.

## **1. Corporate:**

### **1.1 Summary of Announcements During the Quarter:**

<b>Date:</b>	<b>Announcement</b>
12 January	Change of Auditor
29 January	Company Update
31 January	Quarterly Activities and Cashflow Report
13 February	Appointment of Advisers for the sale of the Weeks Royalty
14 February	Change in Substantial Holding (Samuel Terry Asset Management Pty Ltd)
9 March	Commencement of Weeks Royalty Sale Process
16 March	Half Year Accounts
5 April	Update on Weeks Royalty Sale Process

*Table 1: Summary of ASX releases by Royalco during the March Quarter.*

### **1.2 Weeks Royalty Sale Process:**

On 29 January 2018 the Company announced that the Board had resolved to commence a sale process of Royalco's 1.0% interest in the Weeks Royalty. The announcement states (in part):

*"...the Board has continued to consider ways of enhancing returns for all shareholders. This process has included consideration of the strategic direction of the Company, the substantial reductions in cash operating costs that have been achieved recently and the prospects of the Company if it was to continue as an ASX listed entity...*

*Consultation has also occurred with the Company's four largest shareholders representing approximately 92% of issued share capital and discussion with various experts about the options. It was clear from these discussions that there was interest in RCO initiating action to establish market values for its various assets, look at sale options and to return any sale proceeds to shareholders.*

*The RCO Board has resolved to commence a sale process of Royalco's 1.0% interest in the Weeks Royalty (**Weeks Royalty**). It is noted that several Royalco shareholders have indicated that they may wish to bid for the Weeks Royalty through the sale process. This will be encouraged, subject to shareholder approval by non-associated shareholders, at an Extraordinary General Meeting of shareholders..."*

The latest update was provided on 5 April which stated (in part):

*"...Interested parties who have signed a Non-Disclosure Agreement are in the process of being provided with an Information Memorandum and Process Letter this week. The data room for parties selected for the next stage on the basis of acceptable Expressions of Interest will open from 30 April with binding offers required by 21 May 2018.*

*As previously advised, the sale process will be supervised by the Company's independent director Mr Geoff Barker..."*

### **1.3 Finance:**

There was an increase in the Company's cash balance at the end of the March quarter which was \$2.194 million, compared to \$2.137 million at the end of December.

## **2. Royalty Interests:**

### **2.1 Weeks royalty:**

Income received during the quarter (based on production for the 3-month period ended 31 December 2017) was \$138,819.

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).

### **2.2 Other Royalties:**

#### **2.2.1 Bowdens Project:**

During the quarter, the operator of the Bowdens Project, Silver Mines Limited (ASX: **SVL**), announced on 13 March 2018 that *"drill results extend base metal mineralized zone at Bowdens"*.

The highlights of the announcement states (in part):

*"Final assays from preliminary deep drilling campaign confirm significant extent of Bundarra Deeps base metal mineralisation.*

- *Results include;*
  - *375.5 metres @ 0.38% zinc, 0.13% lead, 5g/t silver from 263.5 metres including:*
  - *101 metres @ 0.43% zinc, 0.15% lead, 5g/t silver from 398 metres and;*
  - *126 metres @ 0.49% zinc, 0.08% lead, 4g/t silver from 513 metres including:*
  - *19 metres @ 1.27% zinc, 0.04% lead, 9g/t silver from 556 metres.*
- *Strong metal zonation consistent with potential porphyry associated gold-copper mineralisation at depth and along strike."*

#### **2.2.2 Mt Garnet:**

In its 2017 Exploration Summary released to the ASX on 9 April 2018, Consolidated Tin Mines Limited (ASX: **CSD**) announced in relation to activities at Mt Garnet planned for 2018 that it aims to continue developing ore resources that can be hauled to the operating Mt Garnet Mill.

Royalco holds a 3% net smelter royalty interest.

### **2.2.3 Sam's Creek**

The previous operator of the **Sam's Creek** Gold Project in New Zealand, Mod Resources Limited (ASX: **MOD**) assigned the project to Condamine Resources Limited.

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

### **2.3 Schedule of Royalty Interests:**

PROJECT	OPERATOR	ROYALTY	COMMODITY
Weeks Petroleum	Exxon/BHP JV	1% of 2.5%	Hydrocarbons
Reefton-Blackwater	Oceana Gold Ltd (ASX: OGC)	1-3% ORR	Gold
Sam's Creek	MOD Resources Ltd (ASX: MOD)	1% ORR	Gold
Mt Garnet	Snow Peak/CSD JV (In voluntary administration)	3% NSR	Zinc, lead, silver
Bowdens	Silver Mines Ltd (ASX: SVL)	1 – 2 % NSR	Silver
LFB	Regis Resources Ltd (ASX: RRL)	3% NSR	Gold, copper

### **2.4 Information Pursuant to Listing Rule 5.4.3:**

In accordance with ASX Listing Rule 5.4.3, but noting its several royalty interests as described above, Royalco advises that:

- 1) No petroleum tenements were held at the end of the Quarter;
- 2) No petroleum tenements were acquired or disposed of during the Quarter;
- 3) The beneficial percentage interests held in farm-in or farm-out agreements at the end of the Quarter was nil; and
- 4) The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the Quarter was nil.

## **3. Events Subsequent to the Quarter:**

There were no material events subsequent to the quarter other than to note the update in timing with respect to the Weeks Royalty sale process announced on 5 April 2018.

**Susan Thomas**

Non-Executive Chair

Dated: 30 April 2018

### **About Royalco Resources Limited (ASX: RCO):**

Royalco Resources Limited is an ASX listed resources company that owns the Weeks Royalty and a portfolio of other royalty opportunities in hydrocarbons, gold, zinc, copper, silver and other minerals located primarily in Australia and New Zealand. Royalco's Tier 1 asset is a 1% interest in the Weeks Petroleum Royalty that covers 20 producing fields with 19 platforms in the offshore Gippsland Basin owned by ExxonMobil (operator) and BHP Billiton.

## 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 2018

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	237	561
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs		(566)
(e) administration and corporate costs	(128)	(417)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	34
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)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(114)</b>	<b>(388)</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		
(d) other non-current assets		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date ( 9 months) \$A'000</b>
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(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 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3. 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		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,137	2,639
4.2 Net cash from / (used in) operating activities (item 1.9 above)	114	(388)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		
4.4 Net cash from / (used in) financing activities (item 3.10 above)		
4.5 Effect of movement in exchange rates on cash held		
<b>4.6 Cash and cash equivalents at end of period</b>	<b>2,251</b>	<b>2,251</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date ( 9 months) \$A'000

5. Reconciliation of cash and cash equivalents 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	2,251	2,137
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details) Term deposits		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,251	2,137

**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

36

Director fees

**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

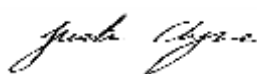
<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities		
	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below 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.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	250
9.6 Other (provide details if material)	
<b>9.7 Total estimated cash outflows</b>	<b>250</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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.



30 April 2018

 Sign here: .....  
 (Company Secretary )

Date: .....

Print name: .....Justin Clyne.....



**Note-++**

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.