



Quarterly Activities Report

(Quarter ended 30 September 2018)

HIGHLIGHTS:

- Royalty payment of \$211,930 received in September for the June quarter for the Weeks Royalty;
- Sale process continues for the Weeks Royalty after Fitzroy River Corporation withdraws offer (refer ASX announcement 6 September 2018);
- Appointment of David Croll as a Non-Executive Director;
- The Bowdens silver project, where Royalco retains a sliding scale royalty interest, continues to be advanced by Silver Mines Limited; and
- MOD Resources (MOD: ASX) terminates agreement with Condamine Resources over the Sam's Creek gold assets.

CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Shareholders: 171

Share Price: 21.0 cents

Market Capitalisation: \$11.0 million

Cash/Liquids: \$2.091 million

Directors:

Sue Thomas
Non-Executive Chair

Malcolm McComas
Non-Executive Director

David Croll
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 30 September 2018.

1. Corporate:

1.1 Summary of Announcements During and Post the Quarter:

Date:	Announcement
9 July	Update on Sales Process for Weeks Royalty – Proposal Received
27 July	Quarterly Activities and Cashflow Reports
4 September	Director Appointment (David Croll)
6 September	Weeks Royalty Sales Process – FZR Withdraws Proposals
24 September	Full Year Statutory Accounts
1 October	Director Resignation (Geoff Barker)
15 October	Appendix 4G
15 October	Corporate Governance Statement
15 October	Annual Report to Shareholders
15 October	Notice of Annual general meeting and Proxy Form

Table 1: Summary of ASX releases by Royalco during and post the September Quarter.

1.2 Appointment of David Croll:

On 4 September, the Company advised of the appointment of Mr David Croll as a non-executive director. David is a shareholder and the Managing Director of Noontide Investments Ltd, a substantial shareholder in the Company, having a relevant interest in approximately 19.9% of Royalco shares. He has worked for 25 years in Stockbroking and Funds Management.

1.3 Weeks Royalty Sale Process:

On 6 September, the Company announced that Fitzroy River Corporation had withdrawn its offer to acquire the Weeks Royalty which for the sum of \$6.6m. The Company advised that the sales process is continuing and discussions with other potential buyers are ongoing. Fitzroy has also advised that it does not intend to make any further offer. Accordingly, the Chair, Sue Thomas is no longer conflicted, and the Board has appointed her to lead the sales process going forward.

At the time of this quarterly report there is no additional information to provide shareholders by way of an update. The Company continues to work with the various parties involved and will continue to keep its shareholders and the market fully informed in compliance with its obligations under the ASX Listing Rules.

1.4 Finance:

There was an increase in the Company's cash balance at the end of the September quarter which was \$2.137m, compared to \$2.06m at the end of June.

2. Royalty Interests:

2.1 Weeks Royalty:

Income received during the quarter (based on production for the 3-month period ended 30 June 2018) was \$211,930 which was significantly higher than the \$112,450 received for the 3 month period ended 31 March 2018).

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 Sam's Creek:

Royalco notes the announcement to the ASX on 30 July 2018 by MOD Resources Limited (ASX: MOD) in its quarterly activities report as follows:

"On 3 July 2017, MOD Resources Ltd entered into a binding Share Sale Agreement (SSA) to divest its Sams Creek Gold Project to newly incorporated Condamine Resources Ltd (Condamine). The SSA signed with Condamine has now been mutually terminated recently and will no longer proceed. The SSA was subject to a number of conditions precedent, which were not fully achieved by Condamine within an acceptable time frame.

The SSA covered the Sams Creek Project, including EP 40338 (MOD 80%) and EP 54454 (MOD 100%). Following the termination of the SSA, OceanaGold Corporation (TSX/ASX: OGC) will continue to hold the remaining 20% in EP 40338 through a joint venture with MOD and the 100% interest in EP 54454 will remain with MOD.

Sams Creek is a substantial undeveloped gold project with >1M ounce porphyry hosted gold resource (see Appendix 1- Table 5) which remains open at depth and along strike, supporting significant additional exploration potential. MOD remains focused on advancing its copper projects in Botswana and is exploring other opportunities to monetise the Sams Creek Gold Project."

Royalco will continue to watch any developments on the Sam's Creek old assets over which it has a royalty.

2.3 Bowdens Project:

During the quarter, Silver Mines Limited (ASX: **SVL**) announced the following update regarding the Bowdens Project (refer SVL Quarterly Activities Report of 31 July 2018):

- Feasibility Study and Maiden Ore Reserve Statement complete.
- Environmental Impact Statement advanced.
- Continued exploration at Bowdens NW and Bowdens SW.

In its update to the market post quarter's end (refer SVL ASX Announcement of 3 October 2018), Silver Mines states that *"...the 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 projects boast outstanding logistics for future mine development..."*.

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

2.4 Schedule of Royalty Interests:

PROJECT	OPERATOR	ROYALTY	COMMODITY
Weeks Petroleum	ExxonMobil/Gippsland Basin 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

Table 2: Schedule of royalty interests.

2.5 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:

3.1 Resignation of Geoff Barker:

The only event subsequent to the quarter was the resignation of Mr Geoff Barker.

Susan Thomas



Non-Executive Chair

Dated: 23 October 2018

About Royalco Resources Limited (ASX: RCO):

Royalco Resources Limited is an ASX listed resources company that owns a portfolio of 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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	221	221
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(228)	(228)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	9
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)		
1.9 Net cash from / (used in) operating activities	2	2

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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)		
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
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)		
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,135	2,135
4.2 Net cash from / (used in) operating activities (item 1.9 above)	2	2
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		
4.6 Cash and cash equivalents at end of period	2,137	2,137

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	2,137	2,135
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)	2,137	2,135

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

43

Director fees and reimbursements

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

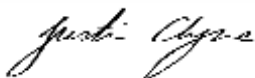
8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities		
	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each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

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	
9.2	Development	
9.3	Production	
9.4	Staff costs	
9.5	Administration and corporate costs	220
9.6	Other (provide details if material)	
9.7	Total estimated cash outflows	220

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.



23.10.18

 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.