



Quarterly Activities Report

(Quarter ended 31 December 2018)

HIGHLIGHTS:

- Royalty payment of \$240,484 received in December for the September quarter for the Weeks Royalty;
- ExxonMobil and BHP reported to spend \$550m on gas field development on the West Barracouta Project within the Weeks Royalty; and
- Sale process continues for the Weeks Royalty.

CORPORATE DETAILS

ASX Code: RCO

Issued Capital: 52,714,183 shares

Shareholders: 171

Share Price: 19.0 cents

Market Capitalisation: \$10.0 million

Cash/Liquids (31 Dec.): \$2.348 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 31 December 2018.

1. Corporate:

1.1 Summary of Announcements During the Quarter:

Date:	Announcement
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
23 October	Quarterly Activities and Cashflow Reports
16 November	Results of Meeting (AGM)

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

1.2 Weeks Royalty Sale Process:

As noted in its last update in the September Quarterly Activities Report, the Company advised that the sales process is continuing and discussions with potential buyers are ongoing. At the time of this quarterly report there is no additional information to provide shareholders by way of an update. The Company is working with parties interested in the process and will update shareholders when either an agreement is reached for the sale of the asset or the cessation of the sales process.

Given the activities during the last 12 months in relation to Reefton, the Board has reconsidered its decision as announced on 29 January 2018 of *'initiating action to establish market values for its various assets, look at sale options and to return any sale proceeds to shareholders'*. This is because the Board sees significant potential value in this asset.

Furthermore, the Board is confident that the Weeks Royalty will continue to be a solid income producing asset with significant potential upside for many years to come. Some of the recent developments include:

- The increase in royalty receipts for the prior comparative periods for the past two quarters (**Sept. 2018 \$232k v Sept. 2017 \$162k and June 2018 \$212k v June 2017 \$147k**) and
- The resolution of the dispute in relation to the Kipper leases and the potential West Barracouta Gas Field development (refer section 2.1 below).

Accordingly, the Board believes that if a satisfactory price is not received, that it is in the best interest of shareholders to retain this asset.

1.3 Finance:

There was an increase in the Company's cash balance at the end of the December quarter which was \$2.348m, compared to \$2.137m at the end of September.

2. Royalty Interests:

2.1 Weeks Royalty:

Income received during the quarter (based on production for the 3-month period ended 30 September 2018) was \$232,012. This represents an increase of almost 10% on the previous quarter (***\$211,930 – 3 months to 30 June 2018***) and a 30% increase on the prior corresponding quarter last year (***\$162,261 – 3 months to 30 September 2017***).

The Company also advises that it received an amount of \$8,472 following the resolution of a dispute involving the Kipper leases. The Kipper dispute was in relation to whether Exxon were required to pay a royalty on the bigger of the two Kipper license areas. The dispute was resolved without the need to resort to arbitration or litigation which is the first time in the fifty-year history of the royalty that a royalty dispute has been settled without arbitration and litigation.

2.1.1 West Barracouta Gas Field Development:

During the quarter, ExxonMobil and BHP were reported in the mainstream media to have given the go-ahead for a circa \$550m gas field development at the West Barracouta Project (**Project**) in the Bass Strait. The Project falls within Royalco's Weeks Royalty area. The Project is expected to bring about 128 billion cubic feet of "wet" gas to the market with production expected in 2021. This will unlock a high-quality new gas resource and help offset production decline in the Bass Strait. BHP's estimated share of the development is estimated at US\$200m as stated in BHP's "*Capital Allocation Briefing*" released to the ASX on 21 November 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 Reefton-Blackwater:

See update in Royalco's Quarterly Activities Report lodged with the ASX on 27 July 2018, in relation to the Agreement between Oceana Gold and Tasman Mining. No further updates are available at this date.

2.3 Other Royalties:

There were no activities of substance to report during the quarter on the Bowden's, Sam's Creek, LFB or Mt Garnet royalties.

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:

There were no material events subsequent to the quarter.

Susan Thomas



Non-Executive Chair

Dated: 31 January 2019

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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	278	499
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(77)	(305)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	19
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	211	213

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 (6 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	2,137	2,135
4.2 Net cash from / (used in) operating activities (item 1.9 above)	211	213
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	2,348	2,348

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	2,348	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)	2,348	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
31

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

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	100
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	100

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.



31 January 2019

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.