



Second
Quarter Report

2018

To Unit holders:

Sabine Royalty Trust (the "Trust") makes monthly distributions to the holders of units of beneficial interest in the Trust ("Units") of the excess of the preceding month's revenues received over expenses incurred. Upon receipt, royalty income is invested in short-term investments until its subsequent distribution. In accordance with the Trust Agreement, the Trust's only long-term assets consist of royalty interests in producing and proved undeveloped oil and gas properties. Although the Trust is permitted to borrow funds if necessary to continue its operations, borrowings are not anticipated in the foreseeable future.

Distributable income consists of royalty income plus interest income plus any decrease in cash reserves established by the Trustee less general and administrative expenses of the Trust less any increase in cash reserves established by the Trustee. Distributable income for the three months ended June 30, 2018 was \$12,543,931 or \$0.86 per Unit. Royalty income for the three months ended June 30, 2018 amounted to \$13,139,278 while interest income was \$30,096. General and administrative expenses totaled \$625,443 for the three months ended June 30, 2018.

Distributions during the period were \$0.279340, \$0.284380 and \$0.294840 per Unit payable to Unit holders of record on April 16, May 15, and June 15, 2018, respectively.

Royalty income for the quarter ended June 30, 2018 increased approximately \$4,569,000 or 53% compared with the second quarter of 2017. This increase was primarily the result of increased production for both oil and natural gas (\$3.8 million); along with an increase in the price of oil (\$1.3 million). These increases were offset somewhat by a decrease in the price of natural gas (\$0.2 million) along with an increase in taxes and operating expenses (\$0.3 million).

Compared to the preceding quarter ended March 31, 2018, royalty income increased approximately \$2,389,000 or 22%, due mainly to an increase in the production of oil and natural gas (\$1.7 million) and higher prices for both oil and natural gas (\$0.7 million). Taxes and operating expenses were flat for the second quarter of 2018 as compared to the first quarter of 2018.

Royalty income for the six months ended June 30, 2018 increased \$4,838,000 or 25% compared with the same time period in 2017. This increase was due mainly to increased production for oil and natural gas (\$3.1

million) and an increase in the price of oil (\$2.6 million). These increases to revenue were tempered somewhat by higher taxes and operating expenses (\$0.6 million) and lower prices for natural gas (\$0.2 million).

The following tables illustrate average prices received for the periods discussed above and the related oil and gas production volume:

	Quarter Ended		
	June 30, 2018	June 30, 2017	March 31, 2018
Production			
Oil (Bbls)	166,145	114,115	138,099
Gas (Mcfs)	1,612,179	1,357,768	1,585,253
Average Price			
Oil (per Bbl)	\$ 59.56	\$ 48.36	\$ 55.00
Gas (per Mcf)	\$ 2.81	\$ 2.95	\$ 2.78
Six Months Ended			
	June 30, 2018	June 30, 2017	
Production			
Oil (Bbls)	304,244	265,110	
Gas (Mcfs)	3,197,432	2,893,936	
Average Price			
Oil (per Bbl)	\$ 57.49	\$ 47.74	
Gas (per Mcf)	\$ 2.80	\$ 2.87	

Gas revenues received for the three months ended June 30, 2018, related primarily to production for January through March 2018. The average price of gas reported by the Henry Hub for the same time period was \$2.77 per Mcf. The average price of gas for the Henry Hub was \$2.67 per Mcf for January through June 2018. Oil revenues for the three months ended June 30, 2018 related primarily to production for February through April 2018. The average price of oil as reported by NYMEX for that time period was \$63.79 per barrel. The average price of oil was \$65.55 per barrel for January through June 2018. As of July 16, 2018, the average price of gas for the Henry Hub was \$2.48 per Mcf and the average price of oil reported by NYMEX was \$68.22 per barrel. It is difficult to estimate future prices of oil and gas, and any assumptions concerning future prices may prove to be incorrect.

Interest income for the quarter ended June 30, 2018 increased approximately \$20,800 compared with the second quarter of 2017. Compared to the preceding quarter ended March 31, 2018, interest income increased approximately \$9,600. Interest income for the six months ended June 30, 2018 increased approximately \$35,300 over the same time period in 2017. Changes in interest income are the result of changes in interest rates and funds available for investment.

General and administrative expenses for the quarter ended June 30, 2018 decreased by approximately \$53,900 compared to the same quarter of 2017 primarily because of a decrease in legal and professional services of approximately \$100,100. This decrease was offset somewhat by an increase in printing and unit holder information expenses of approximately \$25,000 and an increase in the Escrow Agent/Trustee fees of approximately \$21,600.

Compared to the previous quarter ended March 31, 2018, general and administrative expenses decreased approximately \$213,200 primarily because of decreases due to the timing of payment of legal and professional services of approximately \$244,600 and the timing of payment of the New York Stock Exchange listing fee of \$65,000. These decreases were offset somewhat by an increase in printing and unit holder information expenses of approximately \$95,300 due to the timing of payments.

Administrative expenses increased approximately \$104,600 for the six months ended June 30, 2018 compared to the same time period in 2017 primarily due to increases in Escrow Agent/Trustee fees of approximately \$50,200; legal and professional fees of approximately \$34,600; and printing and unit holder information expenses of approximately \$16,400.

Sabine Royalty Trust
By Simmons Bank, Trustee



By Ron E. Hooper
SVP, Royalty Trust Management

August 21, 2018

Information About the Trust

Sabine Royalty Trust (the "Trust"), formed effective December 31, 1982, is an express trust existing under the Sabine Corporation Royalty Trust Agreement.

All units of beneficial interest (the "Units") in the Trust were distributed to Sabine Corporation's shareholders of record on December 23, 1982 on the basis of one Unit for each outstanding share of Sabine Corporation's common stock. Pacific Enterprise Oil Company (USA), as successor to Sabine Corporation, has assumed by operation of law all of Sabine Corporation's rights and obligations with respect to the Trust. The Units are traded on the New York Stock Exchange under the symbol "SBR". The Trust has a December 31 fiscal year end.

The Trust's assets consist of royalty and mineral interests, including landowner's royalties and overriding royalty interests, in producing and proved undeveloped oil and gas properties in Florida, Louisiana, Mississippi, New Mexico, Oklahoma and Texas (the "Royalties"). Revenues of the Trust are directly dependent upon the price of oil and gas as well as the quantities produced. The Trust does not participate in any exploration or development projects and does not have any working interest revenues or expenses.

The Trust makes monthly distributions of net income to Unit holders of record on the monthly record date (generally the 15th of each calendar month). Distributions

are mailed to Unit holders on or about the 29th of each month. Distributions by the Trust in 2018 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$.227020	May	\$.284380
February	\$.191220	June	\$.294840
March	\$.210680	July	\$.281180
April	\$.279340	August	\$.239900

The Trust's monthly distributions include cash received by the Trustee, acting as Escrow Agent on the record date for such distribution, which represents cash attributable to the Royalties, and interest thereon, collected by the Trustee, acting as Escrow Agent, during the preceding calendar month.

Schedules of information on a per Unit basis for preparation of federal and state income tax returns will be provided in booklet form for calendar year 2018 in March 2019. Monthly schedules of income tax information for January through June 2018 are available now for those Unit holders who file fiscal year tax returns and need this information. Please request to be placed on a special mailing list if you need this interim tax information by writing to Tax Mailing List, Sabine Royalty Trust, Simmons Bank, 2911 Turtle Creek Blvd. Ste. 850, Dallas, TX 75219, 1 (855) 588-7839. Our website is www.sbr-sabine.com.

Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2018 <i>(Unaudited)</i>	December 31, 2017
Assets		
Cash and short-term investments	\$ 7,289,852	\$ 5,085,661
Royalty interests in oil and gas properties (less accumulated amortization of \$22,166,573 and \$22,150,580 at June 30, 2018 and December 31, 2017).....	<u>228,612</u>	<u>244,605</u>
TOTAL	<u>\$ 7,518,464</u>	<u>\$ 5,330,266</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 169,222	\$ 165,041
Other payables	<u>1,981,322</u>	<u>570,841</u>
	2,150,544	735,882
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding.....	<u>5,367,920</u>	4,594,384
TOTAL.....	<u>\$ 7,518,464</u>	<u>\$ 5,330,266</u>

Condensed Statements of Changes in Trust Corpus *(Unaudited)*

	Six Months Ended June 30,	
	2018	2017
Trust corpus, beginning of period	\$ 4,594,384	\$ 4,423,300
Amortization of royalty interests.....	(15,993)	(17,084)
Distributable income	22,476,013	17,707,263
Distributions	<u>(21,686,484)</u>	<u>(18,466,200)</u>
Trust corpus, end of period	<u>\$ 5,367,920</u>	<u>\$ 3,647,279</u>
Distributions per unit (14,579,345 units).....	<u>\$ 1.49</u>	<u>\$ 1.27</u>

Condensed Statements of Distributable Income *(Unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Royalty Income	\$ 13,139,278	\$ 8,569,987	\$ 23,889,517	\$ 19,051,480
Interest income.....	<u>30,096</u>	<u>9,322</u>	<u>50,546</u>	<u>15,223</u>
Total	13,169,374	8,579,309	23,940,063	19,066,703
General and administrative expenses.....	<u>(625,443)</u>	<u>(679,373)</u>	<u>(1,464,050)</u>	<u>(1,359,440)</u>
Distributable income.....	<u>\$ 12,543,931</u>	<u>\$ 7,899,936</u>	<u>\$ 22,476,013</u>	<u>\$ 17,707,263</u>
Distributable income per unit (14,579,345 units).	<u>\$.86</u>	<u>\$.54</u>	<u>\$ 1.54</u>	<u>\$ 1.21</u>