



First
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 March 31, 2018 was \$9,932,082 or \$0.68 per Unit. Royalty income for the three months ended March 31, 2018 amounted to \$10,750,239 while interest income was \$20,450. General and administrative expenses totaled \$838,607 for the three months ended March 31, 2018.

Distributions during the period were \$.227020, \$.191220 and \$.210680 per Unit payable to Unit holders of record on January 16, February 15, and March 15, 2018, respectively.

Royalty income for the quarter ended March 31, 2018 increased approximately \$269,000 or 3% compared with the first quarter of 2017. This increase was primarily the result of higher prices for oil (\$1.2 million); along with an increase in the production of natural gas (\$0.1 million). This increase was offset somewhat by a decrease in the production of oil (\$0.7 million) along with an increase in taxes and operating expenses (\$0.3 million). The price of natural gas was relatively flat for the first quarter of 2018 as compared to the first quarter of 2017.

Compared to the preceding quarter ended December 31, 2017, royalty income increased approximately \$1,737,000 or 19%, due mainly to an increase in the price of oil (\$1.3 million); an increase in the production of natural gas (\$0.1 million) and a decrease in ad valorem taxes (\$1.3 million). These increases were offset somewhat by a decrease in the production of oil (\$0.8 million) and an increase in other taxes and operating

expenses (\$0.1 million). The price of natural gas was relatively flat for the first quarter of 2018 as compared to the fourth quarter of 2017.

The following table illustrates average prices received for the periods discussed above and the related oil and gas production volumes:

	Quarter Ended		
	March 31, 2018	March 31, 2017	December 31, 2017
Production			
Oil (Bbls)	138,099	150,996	152,994
Gas (Mcfs)	1,585,253	1,536,169	1,542,024
Average Price			
Oil (per Bbl)	\$ 55.00	\$ 47.26	\$ 46.66
Gas (per Mcf)	\$ 2.78	\$ 2.80	\$ 2.81

Gas revenues received for the three months ended March 31, 2018, related primarily to production for October through December 2017. The average price of gas reported by the Henry Hub for the same time period was \$2.62 per Mcf. The average price of gas for the Henry Hub was \$2.77 per Mcf for January through March 2018. Oil revenues for the three months ended March 31, 2018 related primarily to production for November 2017 through January 2018. The average price of oil as reported by NYMEX for that time period was \$59.43 per barrel. The average price of oil was \$62.91 per barrel for January through March 2018. As of April 23, 2018, the average price of gas for the Henry Hub was \$2.50 per Mcf and the average price of oil reported by NYMEX was \$67.61 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 March 31, 2018 increased \$14,500 compared with the first quarter of 2017. Compared to the preceding quarter ended December 31, 2017, interest income increased \$6,700. 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 March 31, 2018 increased by approximately \$158,500 compared to the same quarter of 2017 primarily due to an increase in legal and professional services of approximately \$133,000; Escrow Agent/Trustee fees of approximately \$28,600; and an increase in the New York Stock Exchange Listing fee of \$5,500. These increases were offset somewhat by a decrease in printing and unit holder expenses of approximately \$8,600.

Compared to the previous quarter ended December 31, 2017, general and administrative expenses increased approximately \$312,500 primarily due to an increase because of the timing of payment of legal and professional services of approximately \$211,600; the increase due to the timing of payment of the New York Stock Exchange listing fee of \$65,000; the increase due to the timing of the payment of printing and unit holder services of approximately \$27,600; an increase in the transfer agent fee of approximately \$4,200; and an increase in the Escrow Agent/Trustee fees of approximately \$4,000.

For the calendar year 2018 the Bank's Administration Expenses are estimated to be \$1,120,000 which would result in fees payable to the Bank of approximately \$1,600,000. These fees include both a reimbursement for

costs and a margin of profit. The Trust incurs substantial costs and expenses in addition to the Bank's fees which are estimated to be approximately \$1,200,000 for the calendar year 2018.

Sabine Royalty Trust
By Simmons Bank, Trustee



By Ron E. Hooper
SVP, Royalty Trust Management

May 17, 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	April	\$.279340
February	\$.191220	May	\$.284380
March	\$.210680		

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 March 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

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017
Assets		
Cash and short-term investments	\$ 6,704,149	\$ 5,085,661
Royalty interests in oil and gas properties (less accumulated amortization of \$22,158,266 and \$22,150,580 at March 31, 2018 and December 31, 2017).....	236,919	244,605
TOTAL.....	<u>\$ 6,941,068</u>	<u>\$ 5,330,266</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 234,080	\$ 165,041
Other payables	1,357,449	570,841
	<u>1,591,529</u>	<u>735,882</u>
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding.....	5,349,539	4,594,384
TOTAL.....	<u>\$ 6,941,068</u>	<u>\$ 5,330,266</u>

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

	Three Months Ended March 31,	
	2018	2017
Trust corpus, beginning of period	\$ 4,594,384	\$ 4,423,300
Amortization of royalty interests.....	(7,686)	(9,303)
Distributable income	9,932,082	9,807,327
Distributions	(9,169,241)	(7,926,791)
Trust corpus, end of period	<u>\$ 5,349,539</u>	<u>\$ 6,294,533</u>
Distributions per unit (14,579,345 units).....	<u>\$.63</u>	<u>\$.54</u>

Condensed Statements of Distributable Income *(Unaudited)*

	Three Months Ended March 31,	
	2018	2017
Royalty Income	\$ 10,750,239	\$ 10,481,493
Interest income.....	20,450	5,901
Total	<u>10,770,689</u>	<u>10,487,394</u>
General and administrative expenses.....	(838,607)	(680,067)
Distributable income.....	<u>\$ 9,932,082</u>	<u>\$ 9,807,327</u>
Distributable income per unit (14,579,345 units).....	<u>\$.68</u>	<u>\$.67</u>