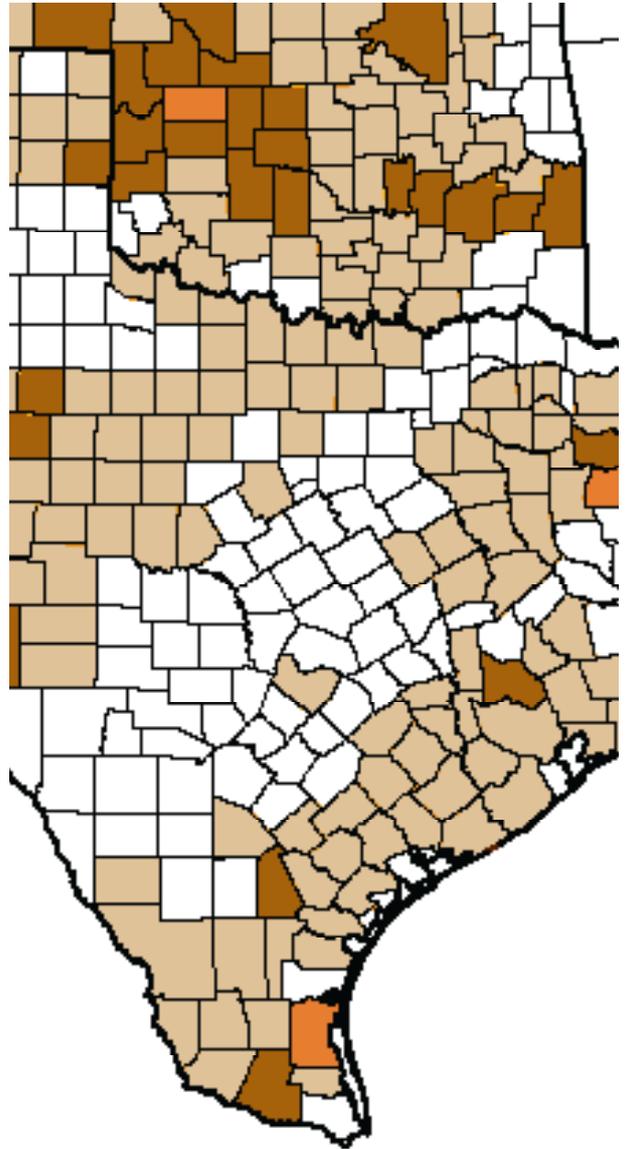


SABINE ROYALTY TRUST



↑st

Quarter Report

2017

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, 2017 was \$9,807,327, or \$0.67 per Unit. Royalty income for the three months ended March 31, 2017 amounted to \$10,481,493 while interest income was \$5,901. General and administrative expenses totaled \$680,067 for the three months ended March 31, 2017.

Distributions during the period were \$.21332, \$.19293 and \$.13745 per Unit payable to Unit holders of record on January 17, February 15, and March 15, 2017, respectively.

Royalty income for the quarter ended March 31, 2017 increased approximately \$3,513,000 or 50% compared with the first quarter of 2016. This increase was primarily the result of higher prices for both natural gas and oil (\$2.3 million) along with increases in production of both natural gas and oil (\$1.4 million). These increases were offset somewhat by an increase in operating expenses and taxes (\$0.2 million).

Compared to the preceding quarter ended December 31, 2016, royalty income increased approximately \$2,980,000 or 40%, due mainly to an increase in the production of both natural gas and oil (\$1.2 million); higher natural gas and oil prices (\$0.5 million); a decrease in ad valorem taxes (\$1.1 million) and a decrease in operating expenses (\$0.1 million).

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

	Quarter Ended		
	March 31, 2017	March 31, 2016	December 31, 2016
Production			
Oil (Bbls)	150,996	124,136	127,049
Gas (Mcfs)	1,536,169	1,483,656	1,519,951
Average Price			
Oil (per Bbl)	\$ 47.26	\$ 36.21	\$ 44.41
Gas (per Mcf)	\$ 2.80	\$ 2.18	\$ 2.73

Gas revenues received for the three months ended March 31, 2017, related primarily to production for October through December 2016. The average price of gas reported by the Henry Hub for the same time period was \$2.74 per Mcf. The average price of gas for the Henry Hub was \$2.71 per Mcf for January through March 2017. Oil revenues for the three months ended March 31, 2017 related primarily to production for November 2016 through January 2017. The average price of oil as reported by NYMEX for that time period was \$50.01 per barrel. The average price of oil was \$51.62 per barrel for January through March 2017. As of April 10, 2017, the average price of gas for the Henry Hub was \$2.84 per Mcf and the average price of oil reported by NYMEX was \$53.06 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, 2017 increased \$5,100 compared with the first quarter of 2016. Compared to the preceding quarter ended December 31, 2016, interest income increased \$2,200. 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, 2017 decreased by approximately \$121,100 compared to the same quarter of 2016 primarily due to the timing of payment of engineering services of approximately \$92,000; the timing of payment of printing and Unit holder expenses of approximately \$25,600; and a decrease in the escrow agent/trustee fees of approximately \$24,000. These decreases were offset somewhat by an increase in auditing services of approximately \$14,700 and an increase in the New York Stock Exchange listing fee of \$7,000.

Compared to the previous quarter ended December 31, 2016, general and administrative expenses increased approximately \$96,500 due mainly

to the timing of payment of auditing fees of approximately \$64,700; the timing of payment of the New York Stock Exchange listing fee of \$59,500; the timing of payment of engineering services of approximately \$56,200; and the timing of payment of printing and Unit holder services of approximately \$34,100. These increases were offset somewhat by decreases in revenue processing services of approximately \$84,200; a decrease in the escrow agent/trustee fee of approximately \$25,800; and a decrease in legal and other professional fees of approximately \$7,100.

For the calendar year 2016 the Bank's Administration Expenses are estimated to be \$1,092,000 which would result in fees payable to the Bank of approximately \$1,560,000. 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 \$1,181,500 for the calendar year 2017.

Sabine Royalty Trust
By Southwest Bank, Trustee



By Ron E. Hooper
SVP, Royalty Trust Management

May 19, 2017

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 2017 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$.213320	April	\$.342310
February	\$.192930	May	\$.167980
March	\$.137450		

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 2017 in March 2018. Monthly schedules of income tax information for January through March 2017 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, P.O. Box 962020, Fort Worth, Texas 76162-2020, 1 (855) 588-7839. Our website is www.sbr-sabine.com.

Condensed Statements of Assets, Liabilities and Trust Corpus

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and short-term investments	\$ 6,526,059	\$ 4,961,157
Royalty interests in oil and gas properties (less accumulated amortization of \$22,131,198 and \$22,121,895 at March 31, 2017 and December 31, 2016)	263,987	273,290
TOTAL	\$ 6,790,046	\$ 5,234,447
Liabilities and Trust Corpus		
Trust expenses payable	\$ 204,607	\$ 247,100
Other payables	290,906	564,048
	495,513	811,148
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding	6,294,533	4,423,299
TOTAL	\$ 6,790,046	\$ 5,234,447

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31,	
	2017	2016
Trust corpus, beginning of period	\$ 4,423,300	\$ 5,180,285
Amortization of royalty interests	(9,303)	(9,726)
Distributable income	9,807,327	6,168,662
Distributions	(7,926,791)	(7,979,129)
Trust corpus, end of period	\$ 6,294,533	\$ 3,360,092
Distributions per unit (14,579,345 units)	\$.54	\$.55

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31,	
	2017	2016
Royalty Income	\$ 10,481,493	\$ 6,968,945
Interest income	5,901	836
Total	10,487,394	6,969,781
General and administrative expenses	(680,067)	(801,119)
Distributable income	\$ 9,807,327	\$ 6,168,662
Distributable income per unit (14,579,345 units)	\$.67	\$.42