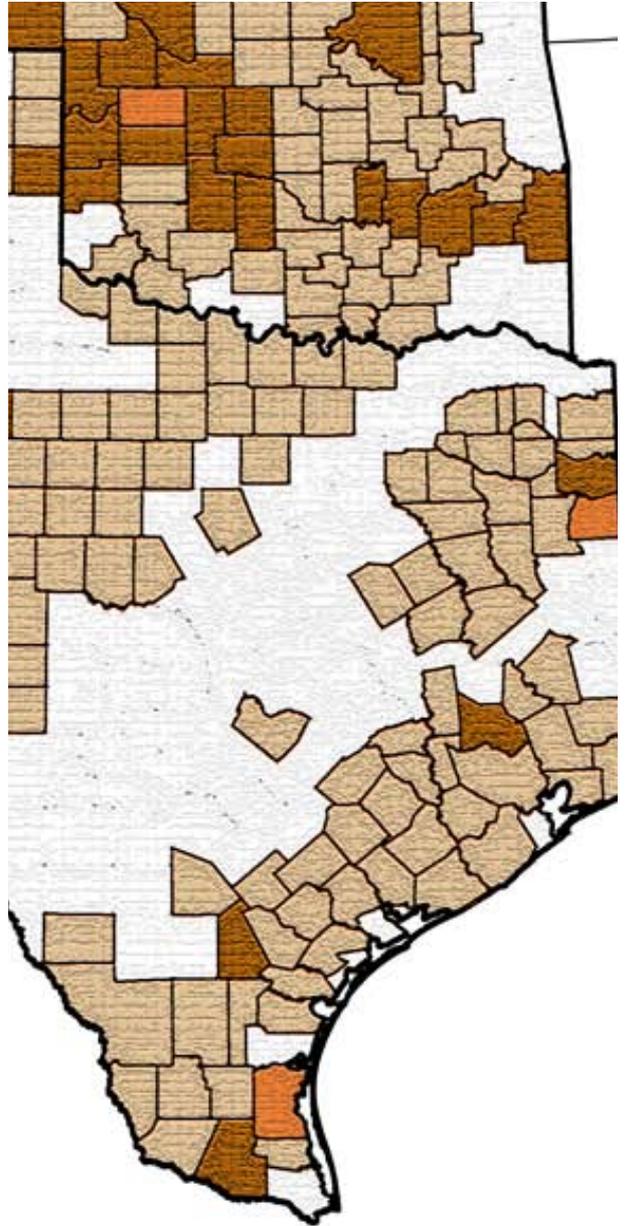


SABINE ROYALTY TRUST



2nd
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 June 30, 2017 was \$7,899,936 or \$0.54 per Unit. Royalty income for the three months ended June 30, 2017 amounted to \$8,569,987 while interest income was \$9,322. General and administrative expenses totaled \$679,373 for the three months ended June 30, 2017.

Distributions during the period were \$.342310, \$.167980 and \$.212610 per Unit payable to Unit holders of record on April 17, May 15, and June 15, 2017, respectively.

Royalty income for the quarter ended June 30, 2017 increased approximately \$2,066,000 or 32% compared with the second quarter of 2016. This increase was primarily the result of higher prices for both natural gas and oil (\$2.6 million) along with an increase in production of oil (\$0.5 million). These increases were offset somewhat by a decrease in the production of natural gas (\$1.0 million).

Compared to the preceding quarter ended March 31, 2017, royalty income decreased approximately \$1,912,000 or 18%, due mainly to decreases in the production of both natural gas and oil (\$2.3 million); offset somewhat by an increase in the price of both natural gas and oil (\$0.4 million). Taxes and operating expenses were relatively unchanged from the previous quarter ended March 31, 2017.

Royalty income for the six months ended June 30, 2017 increased \$5,579,000 or 41% compared with the same time period in 2016. This increase was due mainly to higher natural gas and oil prices (\$4.8 million) and an increase in the production of oil (\$1.8 million). These increases were tempered somewhat by a decrease in the production of natural gas (\$0.8 million) and an increase in taxes and operating expenses (\$0.2 million).

The following tables illustrate average prices

received for the periods discussed above and the related oil and gas production volumes:

	Quarter Ended		
	June 30, 2017	June 30, 2016	March 31, 2017
Production			
Oil (Bbls)	114,115	104,006	150,996
Gas (Mcfs)	1,357,768	1,704,049	1,536,169
Average Price			
Oil (per Bbl)	\$ 48.36	\$ 33.35	\$ 47.26
Gas (per Mcf)	\$ 2.95	\$ 2.35	\$ 2.80
	Six Months Ended		
	June 30, 2017	June 30, 2016	
Production			
Oil (Bbls)	265,110	228,142	
Gas (Mcfs)	2,893,936	3,187,705	
Average Price			
Oil (per Bbl)	\$ 47.74	\$ 34.91	
Gas (per Mcf)	\$ 2.87	\$ 2.27	

Gas revenues received for the three months ended June 30, 2017, related primarily to production for January through March 2017. The average price of gas reported by the Henry Hub for the same time period was \$2.70 per Mcf. The average price of gas for the Henry Hub was \$2.74 per Mcf for January through June 2017. Oil revenues for the three months ended June 30, 2017 related primarily to production for February through April 2017. The average price of oil as reported by NYMEX for that time period was \$51.16 per barrel. The average price of oil was \$49.85 per barrel for January through June 2017. As of July 24, 2017, the average price of gas for the Henry Hub was \$2.69 per Mcf and the average price of oil reported by NYMEX was \$46.21 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, 2017 increased \$8,200 compared with the second quarter of 2016. Compared to the preceding quarter ended March 31, 2017, interest income increased \$3,400. Interest income for the six months ended June 30, 2017 increased \$13,200 over the same time period in 2016. 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, 2017 increased by approximately \$28,300 compared to the same quarter of 2016 primarily due to the timing of payment of engineering services of approximately \$106,700. This increase was offset somewhat by decreases in printing and Unit holder expenses of approximately \$27,500; auditing services of approximately \$22,000; escrow agent/trustee fees of approximately

\$16,400 as well as a decrease in legal and professional expenses of approximately \$12,400.

Compared to the previous quarter ended March 31, 2017, overall general and administrative expenses were relatively flat. Increases due to the timing of payment of annual expenses in printing and Unit holder services of approximately \$61,700, the timing of payment of engineering fees of approximately \$50,500, an increase in escrow agent/trustee fees of approximately \$8,200 and an increase in legal and professional fees of approximately \$4,700 were largely offset by decreases in fees for auditing services of approximately \$64,700 and the timing of the payment of the listing fee for the New York Stock Exchange of \$59,500 in the first quarter.

Administrative expenses decreased approximately \$92,700 for the six months ended June 30, 2017 compared to the same time period in 2016 due primarily

to decreases in printing and Unit holder services of approximately \$53,100; escrow agent/trustee fees of approximately \$40,400; legal and professional fees of approximately \$13,300 and auditing fees of approximately \$7,300. These decreases were tempered somewhat by increases in engineering services of approximately \$14,700 and an increase in the New York Stock Exchange listing fee of \$7,000.

Sabine Royalty Trust
By Southwest Bank, Trustee



By Ron E. Hooper
SVP, Royalty Trust Management

August 21, 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	May	\$.167980
February	\$.192930	June	\$.212610
March	\$.137450	July	\$.161260
April	\$.342310	August	\$.216710

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 June 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

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and short-term investments	\$ 4,466,799	\$ 4,961,157
Royalty interests in oil and gas properties (less accumulated amortization of \$22,138,979 and \$22,121,895 at June 30, 2017 and December 31, 2016).....	<u>256,206</u>	<u>273,290</u>
TOTAL	<u>\$ 4,723,005</u>	<u>\$ 5,234,447</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 161,228	\$ 247,100
Other payables	<u>914,498</u>	<u>564,048</u>
	1,075,726	811,148
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding.....	<u>3,647,279</u>	4,423,299
TOTAL	<u>\$ 4,723,005</u>	<u>\$ 5,234,447</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Six Months Ended June 30,	
	2017	2016
Trust corpus, beginning of period	\$ 4,423,300	\$ 5,180,285
Amortization of royalty interests	(17,084)	(19,887)
Distributable income.....	17,707,263	12,022,814
Distributions	<u>(18,466,200)</u>	<u>(13,891,784)</u>
Trust corpus, end of period	<u>\$ 3,647,279</u>	<u>\$ 3,291,428</u>
Distributions per unit (14,579,345 units)	<u>\$ 1.27</u>	<u>\$.95</u>

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Royalty Income.....	\$ 8,569,987	\$ 6,504,020	\$ 19,051,480	\$ 13,472,965
Interest income.....	9,322	1,161	15,223	1,997
Total	<u>\$ 8,579,309</u>	<u>\$ 6,505,181</u>	<u>\$ 19,066,703</u>	<u>\$ 13,474,962</u>
General and administrative expenses.....	<u>(679,373)</u>	<u>(651,029)</u>	<u>(1,359,440)</u>	<u>(1,452,148)</u>
Distributable income.....	<u>\$ 7,899,936</u>	<u>\$ 5,854,152</u>	<u>\$ 17,707,263</u>	<u>\$ 12,022,814</u>
Distributable income per unit (14,579,345 units) ..	<u>\$.54</u>	<u>\$.40</u>	<u>\$ 1.21</u>	<u>\$.82</u>