

19th December 2016

The Manager  
ASX Company Announcements  
Melbourne

### Target's Statement

Attached is a copy of the Target's Statement of Royalco Resources Limited in response to the off-market takeover bid by Fitzroy River Corporation Limited for all the ordinary shares in Royalco, as announced to ASX on 14 December 2016.

The Directors unanimously recommend that shareholders **ACCEPT** the Offer in the absence of a superior proposal.

The supporting reasons for the Directors' recommendations are set out in full in the Target's Statement.

For any queries please contact:

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PJ Topham  
Executive Chairman and Managing Director



**ROYALCO**  
RESOURCES LIMITED

(ABN 53 096 321 532)

# Target's Statement

This Target's Statement has been issued in response to the off-market cash takeover bid made by **Fitzroy River Corporation Limited** (ABN 75 075 760 655) (**Fitzroy**) to acquire all of the ordinary shares in Royalco Resources Limited (**Royalco** or the **Company**) for **20 cents** cash each.

**The Royalco Directors unanimously recommend that Shareholders ACCEPT the Offer in the absence of a superior proposal.**

Unless extended, the Offer closes on **30 January 2017**.

**Baker  
McKenzie.**

Legal Adviser to Royalco

#### IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you are in any doubt how to deal with this document, you should contact your broker, financial, taxation or legal adviser immediately.

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## CONTENTS

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1.	DIRECTORS' RECOMMENDATION AND REASONS .....	5
2.	FREQUENTLY ASKED QUESTIONS .....	7
3.	IMPORTANT MATTERS FOR SHAREHOLDERS TO CONSIDER .....	10
4.	KEY FEATURES OF THE OFFER .....	14
5.	INFORMATION REGARDING ROYALCO .....	16
6.	INFORMATION RELATING TO THE DIRECTORS .....	18
7.	ADDITIONAL INFORMATION .....	19
8.	GLOSSARY AND INTERPRETATION .....	22
9.	AUTHORISATION .....	24

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## KEY DATES

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Date of Announcement of Fitzroy's Offer	14 December 2016
Date of this Target's Statement	19 December 2016
Closing Date of Offer Period (unless extended)	7.00pm (AEDT) on 30 January 2017

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## ENQUIRIES

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You may call Royalco on +61 3 9602 3626 if you have any queries in relation to the Offer.

Further information relating to the Offer can be obtained from the ASX website (ASX Code: RCO) at [www.asx.com.au](http://www.asx.com.au) or from Royalco's website at [www.royalco.com.au](http://www.royalco.com.au)

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## IMPORTANT NOTICES

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### **Nature of this document**

This is a Target's Statement issued by Royalco under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover offer made by Fitzroy for all of the fully paid ordinary shares in Royalco.

### **ASIC lodgement**

This Target's Statement is dated 19 December 2016 and was lodged with the ASIC and given to ASX on that date. Neither ASIC, nor ASX, nor any of their respective officers take any responsibility for the contents of this Target's Statement.

### **Defined terms**

A number of defined terms are used in this Target's Statement. These terms are explained in section 8 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

### **No account of personal circumstances**

This Target's Statement does not take into account your individual objectives, financial situation or, particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### **Disclaimer as to forward looking statements**

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include, without limitation, factors and risks specific to the industry in which Royalco operates as well as general economic conditions. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Royalco, Royalco's officers, employees and advisers, any persons named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Royalco does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

### **Disclaimer as to information**

The information on Fitzroy contained in this Target's Statement has been prepared by Royalco using publicly available information. The information in this Target's Statement concerning Fitzroy, has not been independently verified by Royalco. Accordingly, Royalco does not, subject to the Corporations Act, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

### **Foreign jurisdictions**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside of Australia.

### **Maps and diagrams**

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

### **Privacy**

Royalco has collected your information from its register of members for the purpose of providing you with this Target's Statement. The type of information Royalco has collected about you includes your name, contact details and information on your shareholding in Royalco. Without this information, Royalco would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Royalco's Related Bodies Corporate and external service providers (such as the share registry of Royalco and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and the ASX. If you would like details of information about you held by Royalco, please contact Royalco.

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## CHAIRMAN'S LETTER

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19 December 2016

Dear Shareholder

### OFFER BY FITZROY

On 14 December 2016 Fitzroy River Corporation Limited (**Fitzroy**) announced a cash off-market takeover bid to acquire all of the Shares in Royalco at the Offer Price of **20 cents** cash per Share (**Offer**).

Together with my Associates, I have sold 2,669,000 Shares to Fitzroy (representing 5.06% of the total Shares) at the Offer Price, taking Fitzroy's shareholding in Royalco to 19.99%.

Fitzroy has prepared a Bidder's Statement which sets out the full terms of the Offer. The Bidder's Statement is being sent to you. A copy of the Bidder's Statement is also available from the ASX website at [asx.com.au](http://asx.com.au).

This Target's Statement sets out your Directors' response to the Offer and contains their recommendation, the reasons for that recommendation and other important information you should consider when deciding whether to accept or reject the Offer. The Directors have given careful consideration to the Offer.

<p><b>The Royalco Directors unanimously recommend that Shareholders ACCEPT the Offer in the absence of a superior proposal.</b></p>
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The supporting reasons for the Directors' recommendation are set out in full in section 1 of this Target's Statement.

**The Offer is unconditional other than in relation to the Prescribed Occurrences Condition and will remain open for acceptance until 7.00pm on 30 January 2017 (unless extended).**

Instructions on how to accept the Offer are set out in section 1.4 of the Bidder's Statement.

### Further information

The Directors will be closely monitoring the progress of the Offer and will keep you informed of any material developments in relation to the Offer through releases to the ASX, which will also be published on Royalco's website.

I encourage you to read this document carefully. If you need any more information, I recommend that you seek independent advice or call Royalco on + 61 3 9602 3626.

Yours sincerely



**Peter Topham**  
**Executive Chairman and Managing Director**

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## 1. DIRECTORS' RECOMMENDATION AND REASONS

### 1.1 Directors' recommendation and key reasons

Your Directors unanimously recommend that shareholders **ACCEPT** the Offer in the absence of a superior proposal for the reasons set out below.

#### (a) Offer Price sufficient for Royalco Directors to accept

The Directors consider that the Offer Price is sufficient to recommend that Shareholders accept the Offer in the absence of a superior proposal.

On 13 December 2016, Peter Topham and Associates sold 2,669,000 Shares to Fitzroy at the Offer Price. Mr Topham and Associates intend to accept the Offer in respect of his remaining 3,136,140 Shares in the absence of a superior proposal. Mr Bruce Pertzelt, who holds 31,000 Shares, also intends to accept the Offer in respect of his Shares in the absence of a superior proposal.

#### (b) Offer Price represents a premium

At the time the Offer was announced, Shares were trading at 18.5 cents each. The Offer Price represents a premium of 1.5 cents per Share (8%) to this price.

The Offer Price represents a premium of 2 cents per Share (11%) to the 18 cent price offered by Fitzroy under its recent on-market takeover bid which has lapsed.

#### (c) Certainty of price and liquidity of 20 cents per Share

Fitzroy's Offer is unconditional other than in relation to the Prescribed Occurrences Condition. Therefore Shareholders who accept the Offer will have certainty of receiving the Offer Price of 20 cents per Share. Royalco has historically been a relatively illiquid stock with low volumes of Shares being traded. Limited trading liquidity can have a negative impact on the trading price of Shares, making it difficult for Shareholders to realise a reasonable value for their Shares by selling them on-market.

The illiquidity of Shares will increase if Fitzroy acquires Shares under the Offer. The Offer provides a liquidity event for Shareholders enabling them to sell their Shares for the Offer Price if they choose to do so, which may be relevant to Shareholders in certain circumstances. The Directors cannot be confident that a similar opportunity will be available in the foreseeable future.

#### (d) There will be a number of disadvantages for Shareholders if Royalco is delisted in the future

There is a possibility of Royalco being delisted following the Offer depending on the level of acceptances. Fitzroy has stated in its Bidder's Statement that, following close of the Offer, if it acquires control of Royalco, then it may seek to remove Royalco from the official list of ASX.

#### (e) No superior proposal has emerged

As at the date of this Target's Statement, no proposals have been put to Royalco or are currently under consideration by Royalco which are alternatives to the Offer, and the Directors are not aware of any other proposal that might be made as an alternative to the Offer. There can be no assurances that any superior proposal will emerge.

#### (f) No guarantee of the future performance of Royalco

While the Directors remain confident in the long term potential for its various royalty interests and other exploration development opportunities, there are a number of risks, general and specific, associated with being a Shareholder in Royalco. A summary of these risks is set out in section 3.5 of this Target's Statement.

**(g) Uncertainty of outcome at upcoming spill meeting**

At the recent AGM, Shareholders resolved to hold a spill meeting, which will be held in February 2017, to consider voting on the Board composition as contemplated by the notice of AGM. Both Noontide Investments Limited and High Peak Royalties Limited have nominated persons to be considered for election to the Royalco Board at this spill meeting.

It is uncertain what may occur at the spill meeting. It is possible that Board control of Royalco may effectively pass to Noontide Investments Limited and/or High Peak Royalties Limited without Shareholders receiving any consideration for their Shares.

**(h) Other considerations**

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the choices available to you as outlined in this Target's Statement;
- carefully consider sections 1.2 (Disadvantages associated with rejecting the Offer) and 3 (Important Matters for Shareholders to consider) of this Target's Statement; and
- obtain independent financial, legal, taxation or other professional advice before making a decision as to whether or not to accept the Offer.

**1.2 Disadvantages associated with accepting the Offer**

**(a) The Offer Price is only at a small premium to the pre-Offer Share price**

At the time the Offer was announced, Shares were trading at 18.5 cents each. The Offer Price of 20 cents per Share only represents a small premium of 1.5 cents per Share (8%) to this price.

**(b) Shareholders will lose exposure to any potential upside in Royalco**

Shareholders who accept the Offer will not be able to participate in any potential increase in the Share price in the future (unless Fitzroy increases the Offer Price) or the right to participate in any future Royalco dividends. If you accept the Offer and cease to be a Shareholder, Fitzroy will own your Shares and any future benefits will accrue to Fitzroy.

**(c) Shareholders will not have the benefit of any subsequent higher offer from any third party.**

Shareholders who accept the Offer will not be able to accept a potential higher offer from a third party in the future. The Board is not aware of any competing proposal or superior proposal to the Offer. The Board will keep Shareholders informed of any material developments.

If Shareholders accept the Offer and Fitzroy subsequently increases the Offer Price, Shareholders will be entitled to receive the higher price.

**1.3 Intentions of the Directors in relation to the Offer**

Mr Peter Topham (Executive Chairman and Managing Director) holds a Relevant Interest in 3,136,140 Shares, as described in section 6.1(a) of this Target's Statement. Mr Topham intends to accept the Offer in respect of these Shares in the absence of a superior proposal.

Mr Bruce Pertzelt (Non-Executive Director) holds a Relevant Interest in 31,000 Shares, as described in section 6.1(a) of this Target's Statement. Mr Pertzelt intends to accept the Offer in respect of these Shares in the absence of a superior proposal.

Mr Nick Boicos (Non-Executive Director) does not hold a Relevant Interest in any Royalco Shares.

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## 2. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is the Target's Statement?	The Target's Statement has been prepared by Royalco and provides Royalco's response to the Offer, including the recommendation of your Directors.
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer, a copy of which was lodged with ASIC and announced to the ASX on 14 December 2016.
What is Fitzroy's Offer for my Shares?	Fitzroy is offering 20 cents cash for every Share that you hold. The Offer is unconditional other than in relation to the Prescribed Occurrences Condition.
What choices do I have as a Royalco Shareholder?	<p>As a Shareholder, you have the following choices in respect of your Shares:</p> <ol style="list-style-type: none"><li>1. <b>REJECT</b> the Offer by doing nothing; or</li><li>2. <b>ACCEPT</b> the Offer by selling some or all of your Shares.</li><li>3. <b>SELL</b> your Shares on ASX.</li></ol> <p>There are several implications in relation to each of the above choices. You should read this Target's Statement and the Bidder's Statement in full to obtain a summary of these implications.</p> <p>If you are in any doubt as to what to do, your Directors recommend that you consult with your investment, financial, taxation or other professional adviser.</p>
How do I REJECT the Offer?	To REJECT the Offer, simply do nothing.
How do I ACCEPT the Offer?	To ACCEPT the Offer, you should follow the instructions set out in section 1.4 of the Bidder's Statement.
Can I sell my Shares on ASX during the Offer Period?	Yes. During the period of the Offer, you may sell your Shares on ASX provided that you have not accepted the Offer.
What are your Directors recommending?	<p>The Directors' recommendation and the reasons for the Directors' recommendation is set out in section 1.</p> <p>If there is a change in your Directors' recommendation or there are any material developments in relation to the Offer, your Directors will advise the market accordingly.</p>

Question	Answer
Who is offering to purchase Shares?	The Offer is being made by Fitzroy River Corporation Limited ( <b>Fitzroy</b> ). Fitzroy is a royalty investment company listed on the ASX. Refer to the Bidder's Statement for further information about Fitzroy.
How many Shares does Fitzroy already have an interest in?	As at 14 December 2016, Fitzroy has announced on ASX that it has a Relevant Interest in 10,542,500 Shares, representing 19.99% of the Voting Power in Royalco.
If I accept the Offer, can I withdraw my acceptance?	If you accept the Offer you will be legally bound to sell those Shares and you cannot later withdraw your acceptance except in limited circumstances permitted by law.
When does the Offer close?	The Offer is currently scheduled to close at 7.00pm on 30 January 2017 (unless extended). If you wish to accept the Offer you need to do so before its scheduled closing date.
What are the conditions to the Offer?	There are no conditions attaching to the Offer other than in relation to the Prescribed Occurrences Condition.
When will I receive payment if I accept the Offer?	<p>If you accept the offer, Fitzroy will pay to you the cash consideration to which you are entitled on or before the earlier of:</p> <ul style="list-style-type: none"> <li>(a) the day one month after you accept the Offer or, if the Offer is subject to the Prescribed Occurrences Condition when you accept, the day one month after the contract resulting from your acceptance becomes unconditional; and</li> <li>(b) the day 14 days after the end of the Offer Period, provided that the Offer has become unconditional.</li> </ul> <p>Refer to section 9.6 of the Bidder's Statement for further details regarding timing for payment on acceptance.</p>
Can Fitzroy vary the Offer?	Fitzroy can only vary the Offer in certain circumstances. These are described in section 4.4 of this Target's Statement.
What if there is a competing offer?	<p>If a competing offer for Royalco emerges, Shareholders will be informed through an announcement to ASX.</p> <p>If you have already accepted the Offer and are no longer a Shareholder at the time a competing offer emerges, you will be unable to accept the competing offer.</p>
Can I be forced to sell my Shares?	You cannot be forced to sell your Shares unless Fitzroy and its Associates acquire a Relevant Interest in at least 90% of all Shares, in which case it is entitled to compulsorily acquire the remaining Shares under the Corporations Act (see section 4.8 of this Target's Statement and section 4.3 of the Bidder's Statement for more

Question	Answer
	<p>information).</p> <p>If Fitzroy proceeds to compulsory acquisition of Shares from Shareholders who did not accept the Offer, those Shareholders will receive the Offer Price for their Shares.</p> <p>Fitzroy's intentions with respect to compulsory acquisition are set out in sections 4.3 and 4.4 of the Bidder's Statement. In summary, Fitzroy has indicated that if it becomes entitled to do so, it intends to compulsorily acquire any outstanding Shares in accordance with the Corporations Act.</p>
<p>Can I buy Shares during the Offer Period?</p>	<p>Yes. Notwithstanding the Offer, you can still continue to buy Shares as you normally would through the ASX during the Offer Period.</p>
<p>What do the Directors intend to do with their Shares?</p>	<p>The Directors intend to accept the Offer in the absence of a superior proposal.</p>
<p>What are Fitzroy's intentions?</p>	<p>Fitzroy's intentions are set out in section 4 of the Bidder's Statement.</p>
<p>Is there a number that I can call if I have further queries in relation to the Offer?</p>	<p>If you have any further queries in relation to the Offer, you can call Royalco on + 61 3 9602 3626.</p>

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### **3. IMPORTANT MATTERS FOR SHAREHOLDERS TO CONSIDER**

#### **3.1 The Offer**

On 19 October 2016 Fitzroy, announced an unsolicited cash on-market takeover bid to acquire all of the Shares in Royalco at 18 cents cash per Share. By way of a target's statement dated 28 October 2016, the Royalco Directors recommended that Royalco shareholders reject the previous bid until such time as it became clear whether or not the bid price and offer period were final. The previous bid lapsed on 12 December 2016 and Fitzroy acquired no Shares in Royalco as a result of the previous bid.

Subsequent to the previous bid, on 14 December 2016 Fitzroy announced the Offer at 20 cents cash per Share.

At the date the Offer was announced, Fitzroy had a Relevant Interest in 19.99% of the Shares.

Fitzroy's intentions in relation to the continuation of the business of Royalco, any significant changes to be made to Royalco's business, including any redeployment of Royalco's fixed assets and the future employment of Royalco's present employees are set out in section 4 of the Bidder's Statement. These are described as statements of Fitzroy's intentions at the date of the Bidder's Statement only, which may change as new information becomes available or circumstances change.

The Offer is open for acceptance until 7.00pm on 30 January 2017, unless it is extended (see section 4.4 of this Target's Statement which describes the circumstances in which the Offer may be extended).

#### **3.2 Sources of consideration**

As set out in section 5 of the Bidder's Statement, Fitzroy intends to pay the total cash consideration payable by Fitzroy under the Offer and to meet its expected costs of the Offer from:

- (a) cash in its bank accounts that is either at call or on short term deposit; and
- (b) under a short term debt facility with sufficient undrawn commitment of funds that are immediately available.

#### **3.3 Minority ownership consequences**

If control of Royalco passes to Fitzroy, Shareholders who do not accept the Offer will become minority shareholders in Royalco with respect to Fitzroy's position as controlling shareholder. If this occurs, there may be additional factors that need to be considered, alongside the Directors' recommendation. These factors may include:

- (a) the number of Shares traded on ASX could be significantly reduced. Shares not accepted into the Offer could become more illiquid and infrequently traded and, as such, the ASX market price may no longer be a reliable indicator of value;
- (b) Fitzroy may be in a position to control the composition of management and the strategic direction of Royalco and its subsidiaries. This would be effected through control of the Board. Fitzroy has stated, in section 4 of the Bidder's Statement, that it intends to seek the appointment of a majority of Fitzroy nominees to the Board to reflect the proportionate ownership interest of Fitzroy and other Royalco Shareholders;
- (c) Fitzroy may be in a position to pass special resolutions at meetings of Shareholders. This will enable Fitzroy to, among other things, change Royalco's Constitution; and
- (d) Fitzroy may be in a position to arrange for Royalco to be removed from the official list of ASX. If this occurs, any remaining Shareholders will not be able to sell their Shares on-market.

You should also read section 4 of the Bidder's Statement which describes Fitzroy's intentions in the event that it acquires control (including varying levels of control) of Royalco and Section 1 of this Target's Statement which describes your Directors' recommendation and reasons in relation to the Offer.

### **3.4 Taxation consequences**

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. You may wish to refer to section 6 of the Bidder's Statement which includes a summary of the principal Australian tax consequences generally applicable to Royalco Shareholders who dispose of their Royalco Shares under the Offer.

Royalco and its advisers do not accept any liability or responsibility for any taxation implications of accepting or rejecting the Offer. You should seek your own specific independent professional, financial and taxation advice as to the taxation implications applicable to your circumstances before making a decision as to whether or not to accept the Offer for your Shares.

### **3.5 Risk factors associated with Royalco**

In considering this Target's Statement, Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of Royalco and the value of Shares. Many of these risks are relevant to Shareholders today and will be relevant to Shareholders who remain as Shareholders following the completion of the Offer.

Many of these risks are outside the control of Royalco and its Board. There can be no certainty that Royalco will achieve its stated objectives or that any forward looking statements will eventuate.

Additional risks and uncertainties not currently known to Royalco may have a material adverse effect on Royalco's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect Royalco or the Shareholders.

Shareholders should read this Target's Statement in its entirety and carefully consider the following risk factors in deciding whether to accept the Offer.

#### **Specific Risks**

##### **(a) Commodities Prices**

The markets for commodities is subject to both volatile prices and demand. Potential royalty receipts may fluctuate considerably due to such market movements. Any adverse change in commodity prices could negatively affect the income that Royalco derives from its royalty interests. Royalco is currently unhedged against, and is fully exposed to, changes in commodity prices.

##### **(b) Production and operation risks**

The development and production risks incurred by the project operators who generate Royalco's royalty revenue will always remain part of any royalty interest held. These risks include financing, construction and satisfactory completion of developmental projects, the ongoing financial capacity of the operator to make royalty payments as and when they fall due, keeping tenements/licences in good standing, satisfying all environmental standards and maintaining plant operational performance.

##### **(c) Contractual risks**

###### **(i) Counterparty contractual risks**

Royalco's main assets comprise royalty interest in various permits that are created by contract. The value of Royalco's interest in those permits is dependent on the holders of the underlying tenements commencing and or continuing production on a commercial basis and the counterparties to those royalty contracts paying royalties to Royalco in accordance with their contractual obligations and remaining solvent, neither of which are within the control of Royalco. A delay or reduction in anticipated royalty revenue may adversely affect the profitability of Royalco.

Any cessation of or delay in production and/or failure of a counterparty to pay royalties as and when due, or otherwise comply with their contractual obligations, could also have a significant adverse impact on Royalco's revenue and ultimately the value of Royalco's Shares.

(ii) **Counterparty insolvency risks**

If any of Royalco's counterparties become insolvent, it may be difficult for Royalco to enforce its rights under the relevant agreements. In most cases, Royalco's right to payment must be enforced by a claim in contract without the protection of any security interest in property over which Royalco may take control. As such, if any of Royalco's other counterparties cease to be financially viable, this may negatively impact the value of Royalco's royalty interests.

Certain of Royalco counterparties, the operators of the Mt Garnet royalty interest, were placed in voluntary administration on 19 July 2016. There are currently outstanding invoices from Royalco relating to this royalty interest totalling \$94,145. Royalco is currently seeking payment of these invoices. Additional future payments on existing concentrate movements amounting to approximately \$200,000, post the appointment of the administrator, are in the process of being invoiced by Royalco. There is a risk that some or all of these amounts may not be able to be recovered by Royalco.

(iii) **Chain of title risk**

While Royalco seeks to confirm the existence, validity, enforceability and geographic extent of the royalties it acquires, there can be no assurance that disputes over these and other matters will not arise. Disputes could also arise challenging, among other things, the existence or geographic extent of the royalty, third party claims to the same royalty asset or to the property on which Royalco has a royalty, rights of the operator or third parties in or to the royalty, methods for calculating the royalty, the obligation of an operator to make royalty payments and defects in the royalty agreement itself.

The defence of a dispute or claim of this nature may be protracted and costly and, if successful, could result in the loss of or a reduction in Royalco's interest in the royalties that it has acquired. There is no assurance that Royalco will have a right of claim against the grantor of the relevant royalty in these circumstances or that any such right, if available under the relevant royalty agreement, can be successfully enforced. Such circumstances may negatively impact the value of Royalco's assets and its ongoing financial performance.

(iv) **Royalty risk**

Royalco's royalty interests allow the holder of the underlying permit to deduct certain agreed operating costs, taxes and expenses from the royalty otherwise payable to Royalco. Royalco has no control over the incurrence of these costs and is unable to predict the magnitude of such costs. An increase in the costs incurred by the operators of the relevant permits is likely to result in a reduction in the royalty revenue received by Royalco. It is also possible that these costs may exceed the amount of royalty revenue otherwise payable to Royalco. As such, cost pressures on permit holders may adversely affect the overall revenue generated by Royalco's royalty interests and in turn, have a material and adverse effect on the profitability of Royalco.

(d) **Possible market illiquidity of Royalco's Shares**

Royalco Shares are relatively illiquid. As a result Royalco's trading share price may be impacted by fluctuations in shareholder investment demand.

**General Risks**

(e) **Economic uncertainties**

General economic conditions affect markets in which Royalco operates, including the consequences of a prolonged downturn in economic conditions and financial markets. Although Royalco cannot predict future economic activity, should there be a

combination of an economic downturn, with other negative economic factors in the global economy it may make it difficult for Royalco to achieve its stated objectives.

(f) **Market conditions**

Share market conditions may affect the value of Royalco's quoted securities regardless of Royalco's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither Royalco nor the Directors warrant the future performance of Royalco or any return on an investment in Royalco.

(g) **Government legislation policy changes**

Government legislation and policies that impact on project operations from which Royalco derives income may be subject to review and change from time to time. Such changes are likely to be beyond the control of Royalco and may affect underlying income.

(h) **Force majeure**

Royalco's projects now or in the future may be adversely affected by risks outside the control of Royalco including, without limitation, labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(i) **Dividends**

Any future determination as to the payment of dividends by Royalco will be at the discretion of the Directors and will depend on the availability of distributable earnings and the operating results and financial condition of Royalco, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the future payment of dividends or franking credits attaching to dividends can be given by Royalco.

(j) **Taxation**

The holding or disposal of Shares will have tax consequences which may differ depending on the individual financial affairs of each Royalco Shareholder. All Shareholders are urged to obtain independent financial advice about the consequences of holding or disposing of Shares from a taxation viewpoint and generally.

(k) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of Royalco depends substantially on its key personnel. There can be no assurance given that there will be no detrimental impact on Royalco if one or more of these personnel cease their involvement with Royalco.

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## **4. KEY FEATURES OF THE OFFER**

### **4.1 Offer price payable to Shareholders who accept the Offer**

Under the Offer, Fitzroy is offering Shareholders 20 cents cash per Share.

### **4.2 Offer unconditional other than in respect of the Prescribed Occurrences Condition**

There are no conditions attached to Fitzroy's Offer other than the Prescribed Occurrences Condition. If you have accepted the Offer and the Prescribed Occurrences Condition is subsequently found not to have been satisfied, your acceptance will be void and your contract with Fitzroy that resulted from your acceptance of the Offer will be rescinded.

See section 9.7 of the Bidder's Statement for further information on the Prescribed Occurrences Condition.

### **4.3 Offer Period**

Unless Fitzroy's Offer is extended, it is open for acceptance until 7.00pm on 30 January 2017.

### **4.4 Variation of the Offer**

The Offer may be varied in accordance with the Corporations Act.

### **4.5 Withdrawal of Offer**

Fitzroy may not withdraw the Offer to the extent you have already accepted it. However, pursuant to the Corporations Act, Fitzroy may withdraw the Offer in respect of any unaccepted Offers in certain limited circumstances as prescribed by the Corporations Act.

### **4.6 Your ability to withdraw your acceptance**

Once you have accepted the Offer you will be legally bound to sell those Shares and you cannot later withdraw your acceptance.

### **4.7 When you will receive payment of the Offer Price if you accept the Offer**

If you accept the offer, Fitzroy will pay to you the cash consideration to which you are entitled on or before the earlier of:

- (a) the day one month after you accept the Offer or, if the Offer is subject to the Prescribed Occurrences Condition when you accept, the day one month after the contract resulting from your acceptance becomes unconditional; and
- (b) the day 14 days after the end of the Offer Period, provided that the Offer has become unconditional.

Refer to section 9.6 of the Bidder's Statement for further details regarding timing for payment on acceptance.

### **4.8 Effect of an increase in the Offer Price**

If Fitzroy increases the Offer Price, all Shareholders, whether or not they have accepted the Offer before that increase will be entitled to the benefit of that increase (unless a Shareholder has sold its shares on-market).

### **4.9 Compulsory acquisition**

Refer to the Bidder's Statement for information concerning Fitzroy's intentions in relation to compulsory acquisitions of Shares.

(a) **Compulsory acquisition within one month after the end of the Offer Period**

Fitzroy would be entitled to compulsorily acquire any Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- (i) Fitzroy and its Associates acquire Relevant Interests in at least 90% (by number) of the Shares; and
- (ii) Fitzroy and its Associates have acquired at least 75% (by number) of the Shares that Fitzroy offered to acquire (excluding Shares in which Fitzroy or its Associates had a Relevant Interest at the date of the Offer and also excluding Shares issued to an Associate of Fitzroy during the Offer Period).

If these thresholds are met and Fitzroy wishes to exercise its right to compulsorily acquire any outstanding Shares, Fitzroy will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer. Shareholders have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedure outlined in the Corporations Act, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Shares. If compulsory acquisition occurs, Shareholders who have their Shares compulsorily acquired are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

(b) **Alternative compulsory acquisition regime**

It is also possible that Fitzroy will, at some time during or after the end of the Offer Period, either alone or with its Related Bodies Corporate, hold full beneficial interests in at least 90% (by number) of all the Shares. Fitzroy would then have rights to compulsorily acquire all of the Shares that it does not own within six months of becoming the holder, either alone or with its Related Bodies Corporate, of full beneficial interests in 90% (by number) of all the Shares. The price which Fitzroy would have to pay to compulsorily acquire all of the remaining Shares under this alternative compulsory acquisition regime would have to be considered in a report of an independent expert.

Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedures outlined in the Corporations Act, but a challenge would require people who hold at least 10% of the Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If people holding such number of Shares object to the compulsory acquisition, and Fitzroy still wishes to proceed with the compulsory acquisition, Fitzroy would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Shares. In the absence of a challenge by people holding the requisite number of Shares, Shareholders who have their Shares compulsorily acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

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## 5. INFORMATION REGARDING ROYALCO

### 5.1 Background information on Royalco

Royalco is a royalty house with the dual objectives of cash flow generation through royalty interests and asset creation through exploration initiatives. Royalco was incorporated in Victoria in 2001 and was listed on the ASX in 2006. As at 14 December 2016, there were approximately 480 Royalco Shareholders.

### 5.2 Cash and royalty interests

As at 30 September 2016, Royalco had cash holdings of approximately \$2.85 million representing approximately 5.5 cents per Share.

Royalco has numerous interests in various royalties. A comprehensive list of these royalties is available in Royalco's Annual Report for the financial year ended 30 June 2016, lodged with ASX on 22 September 2016. The following provides a summary of Royalco's key royalty interests:

(a) **Weeks Petroleum Royalty**

Royalco owns an approximate 1% interest in the Weeks Petroleum Royalty, Royalco's current principal source of income. This is the equivalent of a 0.025% overriding royalty from the entire hydrocarbon production of the main Bass Strait fields.

(b) **Bowdens Project**

Royalco retains a sliding scale royalty over the Bowdens Project in New South Wales, starting at a 2% net smelter return until US\$5 million has been received, after which Royalco can expect a 1% net smelter return.

(c) **Mt Garnet**

Royalco retains a royalty interest in the Mt Garnet Project in Northern Queensland. The operators of the Project, Snow Peak Mining Pty Ltd and Consolidated Tin Mines Limited, were placed in voluntary administration on 19 July 2016. The status of outstanding royalties remains uncertain until the administrators provide further clarification.

(d) **Blackwater Project**

Royalco retains a significant royalty interest in the Blackwater Gold Project at Reefton in New Zealand, one of the highest grade undeveloped gold resources in the current market.

(e) **Sam's Creek**

Royalco holds a 1% over-riding royalty interest in the Sam's Creek Gold Project Reefton gold field in the South Island of New Zealand.

### 5.3 Directors of Royalco

As at the date of this Target's Statement, the directors of Royalco are:

Name	Position within Royalco
Mr Peter Topham	Executive Chairman and Managing Director
Mr Bruce Pertzell	Non-Executive Director
Mr Nick Boicos	Non-Executive Director

#### **5.4 Publicly available information about Royalco**

Royalco is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Royalco is subject to the ASX Listing Rules which require continuous disclosure of any information Royalco has that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of ASX announcements made by Royalco are available on the ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX Code: RCO) or on the company's website at [www.royalco.com.au](http://www.royalco.com.au).

#### **5.5 Financial information and related matters**

Royalco's last published audited financial statements are for the financial year ended 30 June 2016 and were dated 22 September 2016 lodged with ASX on that date. Copies of Royalco's Annual Report may be obtained from ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX Code: RCO) or from the Company's website at [www.royalco.com.au](http://www.royalco.com.au).

Royalco's last published unaudited financial statements are for the quarter ended 30 September 2016 and were dated 21 October 2016 lodged with ASX on that date. Copies of Royalco's September 2016 Quarterly Report may be obtained from ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX Code: RCO) or from the Company's website at [www.royalco.com.au](http://www.royalco.com.au).

To the Directors' knowledge, there has not been any matter or circumstance, other than as announced to the ASX since the release of the September 2016 Quarterly Report or referred to in this Target's Statement, that has significantly affected, or may significantly affect, the operations or the financial position of Royalco, the results of operations of Royalco, or the state of affairs of Royalco in future financial years.

#### **5.6 Forecast financial information for Royalco**

Royalco has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Royalco Directors have concluded that, as at the date of this Target's Statement, Royalco is unable to provide forecast financial information concerning the future financial performance Royalco, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of Royalco in any period will be influenced by various factors that are outside the control of the Royalco Directors and that cannot, at this time, be predicted with a high level of confidence.

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## 6. INFORMATION RELATING TO THE DIRECTORS

### 6.1 Interests and dealings in Royalco securities

#### (a) Interests in Royalco securities

As at the date of this Target's Statement, the Directors had the following Relevant Interests in Shares:

Director	Shares	Voting Power in Royalco
Peter Topham and Associates <sup>(1)</sup>	3,136,140	5.95%
Bruce Pertzel	31,000	0.06%
Nick Boicos	Nil	0%

<sup>(1)</sup> 1,275,140 Shares are held jointly by Peter Topham and his wife, Keryn Topham as trustees for Kezannie Super Fund, in which both Peter Topham and Keryn Topham are beneficiaries. 1,861,000 Shares are held directly by Keryn Topham.

#### (b) Dealings in Royalco Securities

Ms Keryn Topham, an Associate of Mr Peter Topham, sold 2,669,000 Shares to Fitzroy at the Offer Price on 13 December 2016. No other Director has acquired or disposed of a Relevant Interest in Royalco securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

### 6.2 Interests and dealings in Fitzroy securities

#### (a) Interests in Fitzroy securities

As at the date immediately before the date of this Target's Statement, no Director had a Relevant Interest in the securities of Fitzroy.

#### (b) Dealings in Fitzroy securities

No Director has acquired or disposed of a Relevant Interest in Fitzroy in the 4 month period ending on the date immediately before the date of this Target's Statement.

### 6.3 Benefits and agreements

#### (a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit which cannot be given without member approval under the Corporations Act in connection with the retirement of that person, or someone else, from a board or managerial office of Royalco or related body corporate of Royalco.

#### (b) Agreements connected with or conditional on the Offer

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer.

#### (c) Benefits from Fitzroy

None of the Directors have agreed to receive, or are entitled to receive, any benefit from Fitzroy which is conditional on, or is related to, the Offer.

#### (d) Interests of directors in contracts with Fitzroy

None of the Directors have any interest in any contract entered into by Fitzroy.

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## 7. ADDITIONAL INFORMATION

### 7.1 Effect of the takeover on Royalco's material agreements

To the best of each Director's knowledge, there are no material agreements to which Royalco is a party which contain any change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer.

### 7.2 Material litigation

As far as the Directors are aware, Royalco is not involved in any ongoing litigation which is material in the context of Royalco and its Related Bodies Corporate taken as a whole.

### 7.3 Royalco's issued securities

As at the date of this Target's Statement, Royalco's issued equity securities consisted of 52,714,183 Shares on issue.

There are no other shares or other securities or options or performance rights or other instruments which are convertible into securities in Royalco. There are no current offers or current agreements entered into by Royalco to issue any other shares, securities, options or performance rights or other instruments.

### 7.4 Substantial holders

As at 14 December 2016, the Board is aware from notices filed with the ASX that the following persons have substantial holdings in Royalco.

	Name of substantial holder	Number of Shares comprising substantial holding	% of total Shares
1.	High Peak Royalties Limited	11,261,552	21.36%
2.	Fitzroy River Corporation Limited	10,542,500	19.99%
3.	Noontide Investments Ltd	9,798,132	18.60%
4.	David Ogg and Associates	3,695,260	7.01%
5.	Peter and Keryn Topham and Associates	3,136,140	5.95%

### 7.5 Continuous disclosure

Royalco is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Royalco to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Royalco has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of the Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX Code: RCO) or from Royalco website at [www.royalco.com.au](http://www.royalco.com.au). In addition, Royalco will make copies of the following documents available for inspection at Royalco's offices which are located at Level 1, 394-396 Little Bourke Street, Melbourne, Victoria (between 9:00am and 5:00pm on Business Days):

- (a) Annual Report for the financial year ended 30 June 2016, lodged with ASX on 22 September 2016; and
- (b) any continuous disclosure document lodged by Royalco with ASX between the lodgement of its Annual Report for the financial year ended 30 June 2016 and the date of this Target's Statement, namely:

<b>Date</b>	<b>Announcement title</b>
14 December 2016	Royalco responding to new Fitzroy Takeover Offer
14 December 2016	Change of Director's Interest Notice
14 December 2016	Shareholder Distribution and Top 20
14 December 2016	FZR: Bidder's Statement for Royalco
14 December 2016	FZR: Fitzroy Announces Recommended Takeover Offer for Royalco
14 December 2016	Change in Substantial Holding from FZR
13 December 2016	FZR: Close of On Market Offer for Royalco Resources
6 December 2016	Supplementary Target's Statement
1 December 2016	Spill Meeting nomination
30 November 2016	Change in substantial holding from HPR
30 November 2016	HPR: Royalco Resources Limited Spill Motion Successful
29 November 2016	Spill Meeting nominations
25 November 2016	FZR: Extension of Bid for Royalco Resources
24 November 2016	Change of Directors and AGM Results
23 November 2016	Resignation and Appointment of Directors
3 November 2016	Dispatch of Target's Statement
28 October 2016	RCO Target's Statement
27 October 2016	FZR: Dispatch of Bidder's Statement
21 October 2016	September Quarterly Activities and Cash Flow Report
19 October 2016	On-market cash offer - RCO response
19 October 2016	Change in substantial holding from FZR
19 October 2016	FZR: Bidder's Statement
19 October 2016	FZR: On-Market Cash Offer for Royalco Resources Limited
18 October 2016	Notice of Annual General Meeting/Proxy Form
14 October 2016	Director Resignation and Final Directors Interest Notice
22 September 2016	Appendix 4G

Copies of documents lodged with ASIC in relation to Royalco may be obtained from, or inspected at, an ASIC office.

## **7.6 Consents**

Baker McKenzie has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as legal adviser to Royalco in relation to the Offer in the form and context in which it is named. Baker McKenzie has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Pursuant to the Class Order, the parties making those statements are not required to consent to,

and have not consented to, the inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact Royalco.

As permitted by ASIC Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

## **7.7 Regulatory and other approval, consent or waiver requirements**

Royalco has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer, nor has Royalco been granted any waivers from ASX in relation to the Offer.

## **7.8 No other material information**

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any director of Royalco.

The Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (c) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (d) the information contained in Royalco's releases to the ASX, and in the documents lodged by Royalco with ASIC before the date of this Target's Statement; and
- (e) the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in the Bidder's Statement.

In deciding what information should be included in this Target's Statement, the Directors have had regard to the matters that shareholders may reasonably be expected to know and the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers.

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## 8. GLOSSARY AND INTERPRETATION

### 8.1 Glossary

Where the following terms are used in this Target's Statement they have the following meanings:

**Announcement Date** means 14 December 2016, being the day on which the Offer was announced by Fitzroy with the ASX.

**ASIC** means Australian Securities & Investments Commission.

**Associate** has the meaning given to that term in the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the official listing rules of ASX.

**Bidder's Statement** means the bidder's statement announced by Fitzroy under Part 6.5 Division 2 of the Corporations Act relating to the Offer, on 14 December 2016.

**Board** means the board of directors of Royalco.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of Royalco, and **Directors** means all of them.

**Fitzroy** means Fitzroy River Corporation Limited (ABN 75 075 760 655).

**Offer** or **Fitzroy's Offer** means the offer made by Fitzroy to acquire all of the Shares at 20 cents cash per Share, as set out in the Bidder's Statement, as varied in accordance with the Corporations Act.

**Offer Period** means the period during which the Offer will remain open for acceptance.

**Offer Price** means 20 cents cash per Share under the Offer.

**Prescribed Occurrences Condition** means the condition set out in section 9.7 of the Bidder's Statement.

**Related Bodies Corporate** has the meaning given in the Corporations Act.

**Relevant Interest** has the meaning given in section 608 and section 609 of the Corporations Act.

**Royalco** or the **Company** means Royalco Resources Limited (ABN 53 096 321 532).

**Share** means a fully paid ordinary share in the capital of Royalco.

**Shareholder** means a person who is recorded in Royalco's register of members as the holder of one or more Shares.

**Target's Statement** means this document, being the statement under Part 6.5 Division 3 of the Corporations Act issued by Royalco in relation to the Offer.

### 8.2 Interpretation

In this Target's Statement:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act except to the extent otherwise specified;
- (b) words of any gender include all genders;
- (c) words indicating the singular include the plural and vice versa;

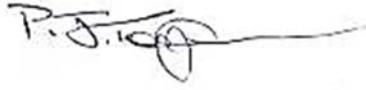
- (d) an expression indicating a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, clause, annexure, attachment and schedule is a reference to a section of, clause of annexure of and an attachment and schedule to this Target's Statement except to the extent otherwise specified;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;
- (h) a reference to time is a reference to Melbourne time unless otherwise indicated; and
- (i) a reference to dollars, \$, A\$, AUD, cents and ¢ is a reference to the lawful currency of the Commonwealth of Australia unless otherwise stated.

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**9. AUTHORISATION**

This Target's Statement has been approved by a unanimous resolution passed by the directors of Royalco.

**Signed for and on behalf of Royalco Resources Limited**

A handwritten signature in black ink, appearing to read 'P. Topham', with a long horizontal line extending to the right.

**Peter Topham**  
**Executive Chairman and Managing Director**