

CORPORATE GOVERNANCE STATEMENT FOR YEAR ENDED 30 JUNE 2017

The Board of Directors of Royalco Resources Limited (“Board or the Company”) is committed to maintaining a high standard of corporate governance and has implemented policies, procedures and systems of control with the intent of providing a strong framework and practical means pursuing the true spirit of corporate governance commensurate with the Company’s needs.

To the extent they are applicable to the Company, the Board has adopted the 3rd Edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Guidelines (‘Principles & Recommendations’). Where the Company’s corporate governance practices do not correlate with the ASX Principles & Recommendations the Company does not consider it practicable or necessary to implement these practices due to the size or complexity of its operations and the Board’s reasoning for any departure is explained.

Principles and Recommendations	Adopted	If not, Explanation Provided
Principle 1 – Lay Solid Foundations for Management and Oversight		
Recommendation 1.1 – Companies should disclose the roles and responsibilities of board and management, those expressly reserved to the board and those delegated to management.	Yes	
Recommendation 1.2 – Companies should undertake appropriate checks prior to the appointment or election of a director and provide shareholders with information relevant to the election of a director.	Yes	
Recommendation 1.3 – Companies should have written agreements as to the appointment of directors and senior executives.	Yes	
Recommendation 1.4 – The Company Secretary should be accountable directly to the board, through the Chairman, as to the proper functioning of the board.	Yes	
Recommendation 1.5 – Companies should have and disclose a diversity policy setting measurable objectives for achieving gender diversity and annually assess and disclose the objectives and progress towards their achievement.	No	Yes
Recommendation 1.6 – Companies should have and disclose processes for evaluating board, committee and director performance, and disclose any performance evaluation undertaken.	Yes	
Recommendation 1.7 – Companies should have and disclose processes for evaluating senior executive performance, and disclose any performance evaluation undertaken.	Yes	
Principle 2 – Structure the Board to Add Value		
Recommendation 2.1 – The board should establish a nomination committee of at least three non-executive directors (the majority being independent), chaired by an independent director, not being the chairman, and disclose the committee charter, qualifications and experience of the committee members and the frequency and attendees of the committee’s meetings. If not, companies should disclose its processes that ensure board succession, skills, knowledge, experience, independence and diversity	No	Yes
Recommendation 2.2 – Companies should have and disclose a board skills matrix setting out the mix of skills and diversity available to the board	No	Yes
Recommendation 2.3 – Companies should disclose their independent directors, any interest, position or association that the board considers does not compromise independence, and why, and the length of each director’s service.	Yes	
Recommendation 2.4 – A majority of the Board should be independent directors.	No	Yes
Recommendation 2.5 – Companies should have an independent director as chairman who should not also hold the position of CEO.	No	Yes
Recommendation 2.6 – Companies should have an induction program for new directors and provide professional development opportunities for directors.	Yes	
Principle 3 – Act Ethically and Responsibly		
Recommendation 3.1 – Companies should establish a code of conduct and disclose the code or a summary of the code.	Yes	
Principles and Recommendations	Adopted	If not, Explanation

		Provided
Principle 4 – Safeguard Integrity in Corporate Reporting		
Recommendation 4.1 – The board should establish an audit committee of at least three non-executive directors (the majority being independent), chaired by an independent director, not being chairman, and disclose the committee charter, qualifications and experience of the committee members and the frequency and attendees of the committee's meetings.	No	Yes
Recommendation 4.2 – Companies should prior to approval of financial statements receive from the CEO and CFO a declaration that the financial records have been properly maintained, the financial statements comply with accounting standards, give a true and fair view of the financial position based on sound risk management, and that internal controls are operating effectively.	Yes	
Recommendation 4.3 – Companies should ensure that their external auditor attends the AGM and is available to answer to the audit.	Yes	
Principle 5 – Make Timely and Balanced Disclosure		
Recommendation 5.1 – Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	No	Yes
Principle 6 – Respect the Rights of Shareholders		
Recommendation 6.1 – Companies should provide information about themselves and their governance on their website.	Yes	
Recommendation 6.2 – Companies should design and implement an investor relations program to facilitate communication.	Yes	
Recommendation 6.3 – Companies should disclose their policies and processes to facilitate and encourage participation at shareholder meetings.	Yes	
Recommendation 6.4 – Companies should give shareholders the option to receive and send messages to the Company and its share registry electronically.	Yes	
Principle 7 – Recognise and Manage Risk		
Recommendation 7.1 – The board should establish a committee to oversee risk of at least three directors, the majority being independent, chaired by an independent director, and disclose the committee charter, committee members, and the frequency and attendees of the committee's meetings.	No	Yes
Recommendation 7.2 – The board or a board committee should review the company's risk management framework annually as to soundness and disclose in relation to each reporting period whether the review has taken place.	Yes	
Recommendation 7.3 – Companies should disclose if they have an internal audit function, how that function is structured and what role it performs, and if it does not have an internal audit function, disclose that fact and the processes employed for evaluating and continually improving its risk management and internal control processes.	Yes	
Recommendation 7.4 – Companies should disclose if they have any material exposure to economic, environmental and social sustainability risks and if so how they manage those risks.	Yes	
Principle 8 – Remunerate Fairly and Responsibly		
Recommendation 8.1 – The board should establish a remuneration committee of at least three directors, the majority being independent, chaired by an independent director, and disclose the committee charter, members of the committee and the frequency and attendees of the committee's meetings. If the company does not have a remuneration committee that fact should be disclosed and the processes employed for setting directors and senior executives remuneration and ensuring that remuneration is appropriate and not excessive.	No	Yes
Recommendation 8.2 – Companies should separately disclose their policies and practices for remuneration of non-executive and executive directors and senior executives.	Yes	
Recommendation 8.3 – Companies which have equity based remuneration schemes should have a policy on whether participants are permitted to enter transactions (such as derivatives or otherwise) which limit the economic risk of scheme participation, and disclose the policy or a summary.	No	Yes

Set out below are the fundamental corporate governance practices of the Company

1 – The Board Lays Solid Foundations for Management and Oversight

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfil this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals.

The Board has adopted a Board Charter, in general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters.

A summary of the Board's responsibilities is as follows:

- Ensuring the Company is properly managed;
- Supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Approval of the annual budget;
- Monitoring the financial performance of the Company;
- Approving and monitoring financial and other reporting;
- Overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- Appointing and where appropriate removing the Executive Chairman;
- Liaising with the Company's external auditors as appropriate; and
- Monitoring, and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board is responsible for ensuring it is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and best standards of governance. This will include undertaking appropriate checks before appointing a person or putting them forward as a candidate for election as a director. The qualifications, experience and responsibilities of the Board members are set out in the Directors Report of the Financial Statements for year ended 30 June 2017.

The directors and senior executives have written agreements setting out the terms of their appointment.

The performance of all directors, and senior executives is reviewed at least annually and evaluates the performance of the Executive Chairman and any other senior executives having regard to such things as:

- The responsibilities of the executive;
- Performance against budget;
- Any communicated key performance indicators; and
- Qualitative as well as quantitative measures

No director or senior executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.

A review of the performance of the Board, its directors and senior executives was carried out in December 2016, and was undertaken in accordance with the above policy. In March 2017 the number of Board directors was reduced to three. Given this reduction in size it has been deemed that this role now be undertaken by the Board.

The Company has adopted a Diversity Policy and supports diversity of employees with differing skills, values, backgrounds and experiences and will ensure that recruitment and selection decisions are based on the principle of merit and a person's skills and qualifications regardless of their age, gender, nationality, cultural background or any other factor not relevant to the position. However as measurement of gender diversity, the proportion of women employees in the consolidated entity as at 30 June 2017 is as follows:

Women on the Board	33%
Women in senior executive roles	25%
Women in the organisation	25%

Due to the size and scale of operations of the Company, the Board has determined that a long term gender diversity objective cannot be set at this stage.

2 – The Board is structured to Add Value

To add value to the Company, the Board has been formed so that it has an effective composition, size, commitment, skills and experience to adequately discharge its responsibilities.

The Board historically had formed a remuneration committee, however due to the reduction in the number of directors this role was undertaken by the Board during the year to June 2017. The Board undertook the process of reviewing the skill base and experience of existing directors and the identification of attributes required in new directors. The Board reviews succession plans,

2 – The Board is structured to Add Value (cont.)

appointment and re-election of directors and the process for evaluation of the performance of the Board, its members and senior executives. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

Should the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

While the Company does not have or disclose a formal skills matrix it does consider directors attributes prior to any appointment. The qualifications, skills, expertise relevant to the position of director held by each director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Directors' Report.

The Company currently has three directors, Mr Peter Topham (Executive Chairman, length of service 11 years), Mr Malcolm McComas (Non-Executive Director, resigned 14 October 2016 and reappointed 22 February 2017, total length of service 12 months) and Ms Susan Thomas (Non-Executive Director, appointed 22 February 2017, length of service 4 months). Further details about the directors are set out in the Annual Report. Mr Piers Reynolds (Non-Executive Director, length of service 4 years) resigned 24 November 2016, Mr Bruce Pertz (Non-Executive Director, length of service 9 years) resigned 7 March, Mr Nick Boicos (Non-Executive Director, appointed 24 November 2016) resigned 7 March 2017 and Mr Justin Clyne (Non-Executive Director, appointed 22 February 2017) resigned 7 March 2017 .

With reference to the factors affecting independent status as set in the ASX Principles and Recommendations Mr Malcolm McComas is not considered to be an independent director as he is associated with a substantial shareholder of the Company. Ms Susan Thomas is not considered to be an independent director as she is associated with a substantial shareholder of the company.

The independence of non-executive directors is assessed annually. The directors acknowledge that a majority of the Board is not independent; nevertheless all incumbent directors bring an independent judgement to bear in Board deliberations and the current representation is considered adequate given the Company's size and the stage of development.

Mr Peter Topham, the Executive Chairman, is not an independent director. Whilst the Board recognises that it is desirable for the Chairman to be an independent director, the Company's stage of development and size had dictated that this is the most efficient mode of operation. In March 2017 the Board advised Mr Topham that his role as Executive Chairman would be terminated as at 8th September 2017. The Board will review and advise the appointment of a new Chairperson shortly.

The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the Company. This includes supporting ongoing education of directors for the benefit of the Company. Members of the Board are able to take independent professional advice at the expense of the Company.

3 – The Board Promotes Ethical and Responsible Decision Making

In accordance with legal requirements and agreed ethical standards, directors and key senior executives of the Company have agreed to keep confidential information received in the course of the exercise of their duties and will not disclose non-public information, except where disclosure is authorised or legally mandated.

The Company has adopted a Code of Conduct. The code establishes a clear set of values which emphasise a culture encompassing strong corporate governance, sound business practices and good conduct from an ethical standpoint. The Code is available on the Company's website.

The Company has adopted a Policy for Trading in Company Securities for directors, senior executives and other employees of the Company, which is appropriate for a company whose shares are admitted to trading on the ASX. The Company takes all reasonable steps to ensure compliance.

The Policy for Trading in Company Securities is available on the Company's website.

4 – The Board Safeguards Integrity in Financial Reporting

The Board historically formed an audit committee, responsible for the following areas:

- Establishment and review of internal control frameworks within the Company;
- Review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;
- Review of audit reports and any correspondence from auditors, including comments on the Company's internal controls;
- Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
- Monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

The audit committee consisted of two non-executive directors, however due to the reduction in the number of directors the role is currently undertaken by the Board to meet the five key responsibilities outlined above.

Because of the size of the organisation it was not been deemed necessary to establish a formal charter to govern an audit committee.

The external auditors are requested to attend the AGM and be available to answer shareholder questions relevant to the audit.

5 – The Board Makes Timely and Balanced Disclosure

The Board has designated the company secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Company has adopted a continuous disclosure policy that requires all directors, officers and executives to inform the Chairman, or in his absence the company secretary, of any potentially material information as soon as practicable after they become aware of that information. The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and senior management to ensure ongoing compliance.

6 – The Board Respects the Rights of Shareholders

The Company respects the rights of its shareholders and has adopted communications protocols which are contained in the Communications Policy a copy of which is available on the Company's website. The Company uses its website (www.royalco.com.au), annual and half yearly reports, quarterly reports, market disclosures and media announcements to communicate with its shareholders, as well as encourages participation at general meetings.

The company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way;
- Complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia ; and
- Encouraging shareholder participation at general meetings.

The external auditors are requested to attend the AGM and be available to answer shareholder questions relevant to the audit. The Company's registrar, Security Transfer Registrars, provides the option for shareholders to receive and send communications electronically.

7 – The Board Recognises and Manages Risk

The Company recognises the importance of identifying and managing business risks and ensuring appropriate control measures are in place. The Company has established a Business Risk Policy and system for oversight and management of material risk. The Business Risk Policy is available on the Company's website.

All business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the directors and the chief financial officer are adequate given the size and nature of the Company's activities. The Board requests management to report informally on risk management and internal control, and to highlight any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures.

Prior to Board approval of the of the annual and half yearly financial accounts the executive chairman and chief financial officer (or company secretary) confirm to the Board that the Company's Financial Reports present a true and fair view, in all respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards, and that this declaration provided in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Key operational and financial risks are presented to and reviewed by the Board at each Board meeting. The Board intends to review and oversee the operation of systems of risk management regularly to ensure that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with.

8 – The Board Remunerates Fairly and Responsibly

The Board evaluates the remuneration of both executive, non-executive directors and senior executives. Because of the size of the company it is not feasible to have a remuneration committee which includes three members at this stage.

The Company complies with the guidelines for executive, non-executive director and senior executive remuneration, details of which are included in the remuneration report contained within the Annual Report.

The Company's Share Trading policy does not currently contain a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The matter is under review.

The structure of executive and non-executive directors' remuneration is detailed in the remuneration report, which forms part of the Directors' report in the annual report.

Approved by the Board on 7th September 2017.
End of Corporate Governance Statement