

Royalco Resources Limited

ACN 396 321 532

Annual Report - 30 June 2019

Royalco Resources Limited
Corporate directory
30 June 2019

| | |
|--------------------------------|---|
| Directors | Ms Susan Thomas (Non-Executive Chair) Mr Malcolm McComas (Non-Executive Director) David Croll (Non-Executive Director) |
| Company secretary | Mr Justin Clyne |
| Share register | Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 |
| Auditor | Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000 |
| Bankers | National Australia Bank 255 George Street, Sydney NSW 2000 Commonwealth Bank of Australia 367 Collins Street, Melbourne Victoria 3000 |
| Stock exchange listing | Royalco Resources Limited shares are listed on the Australian Securities Exchange (ASX code: RCO) |
| Website | www.royalco.com.au |
| Corporate Governance Statement | <p>The board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Royalco Resources Ltd (the “Company”) has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.</p> <p>The company’s Corporate Governance Statement for the financial year ending 30 June 2019 will be released to the ASX in conjunction with the Company’s full annual report in October 2019 and placed on the Company’s website at the same time.</p> |

Royalco Resources Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Royalco Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Royalco Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms Susan Thomas (Non-Executive Chair)

Mr Malcolm McComas (Non-Executive Director)

Mr Geoffrey Barker (Non-Executive Director - appointed 8 September 2017 and resigned 30 September 2018)

Mr David Croll (Non-Executive Director - appointed 3 September 2018)

Principal activities

During the financial year the principal continuing activity of the consolidated entity was management of resource based royalties.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$248,478 (30 June 2018: \$421,672).

Royalco holds interests in several projects as follows:

| Project | Operator | Royalty | Commodity |
|--------------------|--|-------------|--------------------|
| Weeks Petroleum | ExxonMobil/Gippsland Basin JV | 1% of 2.5% | Hydrocarbons |
| Reefton-Blackwater | Oceana Gold Ltd (ASX: OGC) | 1-3% ORR | Gold |
| Sam's Creek | MOD Resources Ltd (ASX: MOD) | 1% ORR | Gold |
| Mt Garnet | Snow Peak/CSD JV (In voluntary administration) | 3% NSR | Zinc, lead, silver |
| Bowdens | Silver Mines Ltd (ASX: SVL) | 1 – 2 % NSR | Silver |
| LFB | Regis Resources Ltd (ASX: RRL) | 3% NSR | Gold, copper |

The main activities of the Company's management are as follows:

- Review of existing investments and analysis of new investment opportunities;
- Royalty and dividend collection;
- Contract and title maintenance;
- Monitoring activities across all royalty permits; and
- Company routine operations & reporting as an ASX listing company.

Royalco is not taking further steps in relation to the sale of the Weeks Royalty. The reason is that it would be difficult to assign a value to the Reefton royalty, and therefore it will be difficult to wind the company up in the short term. Royalco remains open to consider offers which represent fair value.

Significant changes in the state of affairs

The consolidated entity continued with a sale process for the Weeks Royalty and provided periodic updates in announcements to the Australian Securities Exchange. The Company received several non-binding and conditional proposals. At 30 June 2019 no sale transaction had occurred.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

| | |
|--------------------------------------|--|
| Name: | Ms Susan Thomas |
| Title: | Non-Executive Chair |
| Qualifications: | B Comm, LLB (UNSW) |
| Experience and expertise: | Ms Thomas has expertise in technology and law in the financial services industry. Ms Thomas founded and was Managing Director at FlexiPlan Australia, an investment administration platform sold to MLC. |
| Other current directorships: | Fitzroy River Corporation Limited (ASX:FZR) and Temple and Webster Limited (ASX:TPW). |
| Former directorships (last 3 years): | Alexium International Group Limited (ASX:AJX) |
| Special responsibilities: | N/A |
| Interests in shares: | Nil |
| Interests in options: | Nil |

| | |
|--------------------------------------|--|
| Name: | Mr Malcolm McComas |
| Title: | Non-Executive Director |
| Qualifications: | BEC, LLB (Monash), SFFin and FAIDC. |
| Experience and expertise: | Malcolm has experience as a company director and was a former investment banker, working in leadership roles with global investment bank for over 25 years during which he held leadership roles with County NatWest (now Citigroup) and Grant Samuel. |
| Other current directorships: | Fitzroy River Corporation Limited (ASX:FZR), Pharmaxis Limited (ASX:PXS) and Actinogen Medical Limited (ASX:ACW). |
| Former directorships (last 3 years): | Saunders International Limited (ASX:SND) resigned 29 May 2019. |
| Special responsibilities: | Nil |
| Interests in shares: | Nil |
| Interests in options: | Nil |

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Name: Mr Geoffrey Barker
Title: Non-Executive Director (resigned on 30 September 2018)
Qualifications: (B Sc, M Eng Sc, MAICD)
Experience and expertise: Mr Barker is an oil and gas industry professional with 35 years of global experience. He has extensive expertise in the areas of asset valuation, development of business and corporate strategies, due diligence assessments and reserves assessment and certification of conventional and non- conventional petroleum in over 50 countries. Geoff has specific relevant experience in evaluation of Bass Strait royalties since 2001. He has a reputation as a keen industry observer and for independent, strategic thought leadership. Geoff is currently Group Executive of Development at Beach Energy. Geoff held senior technical and management positions in RISC Advisory, Woodside, Shell and Bridge Oil.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: N/A
Interests in shares: Nil
Interests in options: Nil

Name: Mr David Croll
Title: Non-Executive Director (appointed 3 September 2018)
Qualifications: Bachelor of Arts - Macquarie University
Experience and expertise: David has worked for over 25 years in stockbroking and funds management.
Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: N/A
Interests in shares: Mr Croll has a relevant interest in 10,515,663 shares in his capacity as a director and shareholder of Noontide Investments Limited, 5,000 shares in his capacity as a director and shareholder of Noontide Capital Pty Ltd and 5,470,452 shares in his capacity as a director of Noontide Investments Limited which is a substantial shareholder in High Peak Royalties Limited (ASX: HPR).
Interests in options: Nil

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

| | Full Board | |
|--------------------|------------|------|
| | Attended | Held |
| Mr Malcolm McComas | 5 | 5 |
| Ms Susan Thomas | 5 | 5 |
| Mr Geoffrey Barker | 2 | 2 |
| Mr David Croll | 4 | 4 |

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The company does not currently have any executives. However, at times when the company has executives, the Board structures the executive remuneration framework so that it is market competitive and complementary to the reward strategy of the consolidated entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Non-executive directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the directors retirement or termination. Non-Executive directors remuneration may, but does not currently, include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 May 2009, where the shareholders approved an aggregate remuneration of \$300,000.

Executive remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

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Directors' report
30 June 2019

The executive remuneration and reward framework has two components

- Fixed remuneration
- Long term incentive portion as deemed appropriate.

At such times when the Company employs executives, the performance of those executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the company in achieving its broader corporate goals. This policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Australian-resident executives receive a company paid superannuation contribution, which is currently 9-11% of their cash compensation, and do not receive any other retirement benefits (except salary sacrifice superannuation which is at the discretion of the employee).

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

Use of remuneration consultants

The company has not made use of remuneration consultants during the current year.

Voting and comments made at the company's 16 November 2018 Annual General Meeting ('AGM')

The company received 72.22% of votes in favour of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices. A first strike has been recorded for the remuneration report.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

| | Short-term benefits | | | Post-employment benefits | | Long-term benefits | Total |
|---------------------------------|----------------------|-------|--------------|--------------------------|-------------|--------------------|---------|
| | Cash salary and fees | Bonus | Non-monetary | Super-annuation | Termination | Long Service Leave | |
| 2019 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Ms S Thomas | 60,000 | - | - | - | - | - | 60,000 |
| Mr M McComas | 40,000 | - | - | - | - | - | 40,000 |
| Mr G Barker * | 10,000 | - | - | - | - | - | 10,000 |
| | 110,000 | - | - | - | - | - | 110,000 |

* resigned on 30 September 2018.

Mr Croll was appointed on 3 September 2018 and is not entitled to any fees under his agreement with the company.

It has been determined that Justin Clyne, in his capacity as company secretary, does not meet the definition of the key management personnel in the current year.

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| | Short-term benefits | | Post-employment benefits | Long-term benefits | Share-based payments | |
|--|----------------------|----------|--------------------------|--------------------|----------------------|--------------------|
| | Cash salary and fees | Bonus | Non-monetary | Super-annuation | Termination | Long-service leave |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2018 | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr M McComas | 40,000 | - | - | - | - | - |
| Ms S Thomas | 56,260 | - | - | - | - | - |
| Mr G Barker ** | 52,253 | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Mr P Topham * | 49,111 | - | - | 4,722 | - | - |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Mr N Boicos *** | 50,000 | - | - | - | 54,838 | - |
| Mr J Clyne | 30,000 | - | - | - | - | - |
| | <u>277,624</u> | <u>-</u> | <u>-</u> | <u>4,722</u> | <u>54,838</u> | <u>-</u> |
| | | | | | | <u>337,184</u> |

* Mr P Topham's contract was ceased by agreement with effect from 8 September 2017. The termination payments payable were recognised in the previous year's remuneration report as it was accrued in that financial year.

** Appointed on 8 September 2017. His fees include \$20,000 of additional consulting fees in relation to the disposal of the Weeks asset.

*** Mr N Boicos' remuneration reflects salary and termination payments up to the date of his resignation on 24 October 2017.

Fees paid during the prior year to Non-Executive Directors and the company secretary, Mr J Clyne, totalling \$187,513 were included in administrative costs in the statement of profit and loss and other comprehensive income. Fees paid to Mr P Topham and Mr N Boicos totalling \$158,671 were included in employee benefits expense in the statement of profit and loss and other comprehensive income.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|------|---------------|------|---------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr M McComas | 100% | 100% | - | - | - | - |
| Ms S Thomas | 100% | 100% | - | - | - | - |
| Mr G Barker | 100% | 100% | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Mr P Topham | - | 100% | - | - | - | - |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Mr N Boicos | - | 100% | - | - | - | - |
| M J Clyne | - | 100% | - | - | - | - |

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Royalco Resources Limited
Directors' report
30 June 2019

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

| | 2019 \$ | 2018 \$ | 2017 \$ | 2016 \$ | 2015 \$ |
|--|------------|------------|------------|------------|-------------|
| Revenue and other income | 806,263 | 804,259 | 669,942 | 841,935 | 1,145,315 |
| Earnings before interest, tax, depreciation and amortisation | 136,129 | 27,033 | (392,029) | (416,795) | (86,841) |
| Profit/(loss) after income tax | (248,478) | (421,672) | (823,738) | (752,186) | (1,186,100) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------|--------|--------|--------|--------|
| Share price at financial year end (\$) | 0.19 | 0.23 | 0.22 | 0.20 | 0.21 |
| Total dividends declared (cents per share) | - | - | 0.50 | 1.00 | 1.50 |
| Basic loss per share (cents per share) | (0.47) | (0.80) | (1.56) | (1.43) | (2.25) |

This concludes the remuneration report, which has been audited.

Loans to directors and executives

There were no loans transactions with directors or executives made during the year ended 30 June 2019.

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the current financial year and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Sue Thomas
Non-Executive Chair

24 September 2019
Sydney

The Board of Directors
Royalco Resources Limited
GPO Box 4626
Sydney NSW 2001

24 September 2019

Dear Board Members

Auditor's Independence Declaration to Royalco Resources Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Royalco Resources Limited.

As lead audit partner for the audit of the financial statements of Royalco Resources Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Chery Kennedy
Partner
Chartered Accountants

Royalco Resources Limited

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30 June 2019

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General information

The financial statements cover Royalco Resources Limited as a consolidated entity consisting of Royalco Resources Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Royalco Resources Limited's functional and presentation currency.

Royalco Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.02, Level 6
28 O'Connell Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 September 2019. The directors have the power to amend and reissue the financial statements.

Royalco Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

| | Note | Consolidated 2019 \$ | 2018 \$ |
|---|-------------|-------------------------------------|--------------------|
| Revenue | | | |
| Interest revenue calculated using the effective interest method | | 40,393 | 36,784 |
| Royalty income | | 726,879 | 737,925 |
| Other income | | 38,991 | 29,550 |
| Expenses | | | |
| Employee benefits expense | | - | (158,671) |
| Professional and consultancy fees | | (254,086) | (218,887) |
| Director and company secretarial fees | | (150,000) | (159,512) |
| Impairment of royalty assets | | - | (23,705) |
| Amortisation of royalty rights | | (425,000) | (425,000) |
| Rent expense | | (87,718) | (142,814) |
| Other expenses | | (137,937) | (97,342) |
| Loss before income tax expense | | (248,478) | (421,672) |
| Income tax expense | 5 | - | - |
| Loss after income tax expense for the year attributable to the owners of Royalco Resources Limited | | (248,478) | (421,672) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive loss for the year attributable to the owners of Royalco Resources Limited | | <u>(248,478)</u> | <u>(421,672)</u> |
| | | Cents | Cents |
| Basic loss per share | 21 | (0.47) | (0.80) |
| Diluted loss per share | 21 | (0.47) | (0.80) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of financial position
As at 30 June 2019

| | Note | Consolidated 2019 \$ | 2018 \$ |
|--------------------------------|-------------|-------------------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 2,363,516 | 2,164,198 |
| Trade and other receivables | 7 | 249,136 | 254,710 |
| Other | | 39,669 | 32,675 |
| Total current assets | | <u>2,652,321</u> | <u>2,451,583</u> |
| Non-current assets | | | |
| Intangible assets | 8 | 5,879,167 | 6,304,167 |
| Other | | - | 5,417 |
| Total non-current assets | | <u>5,879,167</u> | <u>6,309,584</u> |
| Total assets | | <u>8,531,488</u> | <u>8,761,167</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 105,186 | 33,459 |
| Provisions | | 13,325 | 46,343 |
| Total current liabilities | | <u>118,511</u> | <u>79,802</u> |
| Non-current liabilities | | | |
| Payables | | - | 8,250 |
| Provisions | | - | 11,660 |
| Total non-current liabilities | | <u>-</u> | <u>19,910</u> |
| Total liabilities | | <u>118,511</u> | <u>99,712</u> |
| Net assets | | <u>8,412,977</u> | <u>8,661,455</u> |
| Equity | | | |
| Issued capital | 10 | 12,321,611 | 12,321,611 |
| Accumulated losses | | (3,908,634) | (3,660,156) |
| Total equity | | <u>8,412,977</u> | <u>8,661,455</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of changes in equity
For the year ended 30 June 2019

| Consolidated | Issued capital \$ | Accumulated losses \$ | Total equity \$ |
|---|----------------------------------|--------------------------------------|----------------------------|
| Balance at 1 July 2017 | 12,321,611 | (3,238,484) | 9,083,127 |
| Loss after income tax expense for the year | - | (421,672) | (421,672) |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive loss for the year | - | (421,672) | (421,672) |
| Balance at 30 June 2018 | <u>12,321,611</u> | <u>(3,660,156)</u> | <u>8,661,455</u> |
| Consolidated | Issued capital \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2018 | 12,321,611 | (3,660,156) | 8,661,455 |
| Loss after income tax expense for the year | - | (248,478) | (248,478) |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive loss for the year | - | (248,478) | (248,478) |
| Balance at 30 June 2019 | <u>12,321,611</u> | <u>(3,908,634)</u> | <u>8,412,977</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Royalco Resources Limited
Statement of cash flows
For the year ended 30 June 2019

| | Note | Consolidated 2019 \$ | 2018 \$ |
|--|-------------|-------------------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Interest received | | 40,393 | 40,496 |
| Other revenue | | 36,974 | 20,200 |
| Royalties received | | 734,339 | 673,506 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(612,388)</u> | <u>(1,154,654)</u> |
| Net cash from/(used in) operating activities | 20 | <u>199,318</u> | <u>(420,452)</u> |
| Cash flows from investing activities | | | |
| Net cash from investing activities | | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Net cash from financing activities | | <u>-</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | 199,318 | (420,452) |
| Cash and cash equivalents at the beginning of the financial year | | <u>2,164,198</u> | <u>2,584,650</u> |
| Cash and cash equivalents at the end of the financial year | 6 | <u><u>2,363,516</u></u> | <u><u>2,164,198</u></u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

In the current year, the consolidated entity has applied AASB 9 'Financial Instruments' (as amended) and the related consequential amendments to other AASB Standards that are effective for an annual reporting period that begins on or after 1 July 2018.

AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the consolidated entity's financial statements are described below.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management reviewed and assessed the consolidated entity's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has not had any material impact on the consolidated entity's financial assets in respect of their classification and measurement. Loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

A significant change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of the issuer. This change in accounting policy has not affected the consolidated entity's accounting as all of the consolidated entity's financial liabilities continue to be measured at amortised cost using the effective interest method as at 30 June 2019.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the consolidated entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. AASB 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for receivables. Given low historic value of the receivable write-offs, the application of the AASB 9 impairment requirements has not resulted in any material additional loss allowances to be recognised for the year ended 30 June 2019. (Refer to note 7).

Hedge accounting requirements of AASB 9 have not had any material impact on the consolidated entity's financial statements as the consolidated entity did not hold any hedging instruments as at 30 June 2019.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

In the current year, the consolidated entity has applied AASB 15 'Revenue from Contracts with Customers' which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

Management have assessed that AASB 15 will not have a material impact on the company's financial statements given that the company's main income streams being royalty income, interest income and rental income are not within the scope of AASB 15.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 17.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Royalco Resources Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Royalco Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 1. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided this is probable the economic benefits will flow to the group and the amount can be reliably measured). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty agreements that are based on production, sales and other measures, are recognised by reference to the underlying agreement.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Other revenue

Other income is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 1. Significant accounting policies (continued)

Royalty rights

Royalty rights acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Royalco Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019.

Management have assessed that AASB 16 will not have a material impact on the consolidated entity's financial statements given that the consolidated entity's contract for the lease of its office in Melbourne expires in September 2019 and is not expected to be prolonged, and thus is considered a short-term lease which will continue to be recognised as a lease expense on a straight-line basis.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of intangible assets

The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of royalty right

The directors assessed whether there were indicators of impairment of the Weeks royalty right at balance date. In their assessment, the directors considered among other factors, the market capitalisation of the consolidated entity, royalty income received and offers received during the year for the Weeks royalty right. Significant judgment is required to determine if there are any indicators of impairment of the Weeks royalty right which would cause the intangible asset not to be recovered at its carrying values. Based on their assessment and judgement, the directors were not aware of any indicators of impairment of the Weeks royalty right at the balance date.

Recognition of deferred tax assets

An estimate of the consolidated entity's ability to recoup deferred tax assets from future taxable profits is made at each reporting date. Deferred tax assets on tax losses and temporary deductible differences are recognised to the extent that sufficient future taxable profits are probable in the same jurisdiction in which the tax losses and deductible temporary differences arise.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segments: management of resource based royalties. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Expenses

| | Consolidated | |
|--|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Amortisation</i> | | |
| Royalty rights | 425,000 | 425,000 |
| <i>Impairment</i> | | |
| Royalty rights | - | 23,705 |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | - | 4,722 |

Note 5. Income tax expense

| | Consolidated | |
|--|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Income tax expense</i> | | |
| Current tax | (74,511) | (126,373) |
| Tax losses not recognised | 74,511 | 126,373 |
| Aggregate income tax expense | - | - |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (248,478) | (421,672) |
| Tax at the statutory tax rate of 30% | (74,543) | (126,502) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 32 | 129 |
| Tax losses not recognised | (74,511) | (126,373) |
| Income tax expense | - | - |
| | Consolidated | |
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Tax losses not recognised</i> | | |
| Unused tax losses for which no deferred tax asset has been recognised | 3,208,547 | 3,146,978 |
| Potential tax benefit @ 30% | 962,564 | 944,093 |

Note 5. Income tax expense (continued)

The above potential tax benefit for tax losses has not been recognised in the statement of financial position because their realisation has not been deemed probable. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 6. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Cash at bank | <u>2,363,516</u> | <u>2,164,198</u> |

Note 7. Current assets - trade and other receivables

| | Consolidated | |
|--|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Other receivables | 10,196 | 9,350 |
| Less: Allowance for expected credit losses | (2,910) | - |
| | <u>7,286</u> | <u>9,350</u> |
| Royalties receivable | 204,470 | 211,930 |
| GST receivable | <u>37,380</u> | <u>33,430</u> |
| | <u>249,136</u> | <u>254,710</u> |

All royalties receivable have been received within agreed terms during the year and since year end.

Note 8. Non-current assets - intangible assets

| | Consolidated | |
|---|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Royalty rights - at cost | 8,500,000 | 8,500,000 |
| Less: Accumulated amortisation and impairment | (2,620,833) | (2,195,833) |
| | <u>5,879,167</u> | <u>6,304,167</u> |

The carrying value of intangibles assets at 30 June 2019 and 2018 relates to the Weeks royalty right which is being amortised over 20 years.

Note 8. Non-current assets - intangible assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Royalty Rights \$ |
|------------------------------------|-------------------------|
| Consolidated | |
| Balance at 1 July 2017 | 6,752,872 |
| Impairment of other royalty rights | (23,705) |
| Amortisation expense | (425,000) |
| | <hr/> |
| Balance at 30 June 2018 | 6,304,167 |
| Amortisation expense | (425,000) |
| | <hr/> |
| Balance at 30 June 2019 | <u>5,879,167</u> |

The directors have assessed the recoverable amount of the Weeks royalty right and are satisfied that it is not impaired. An impairment charge during the prior year of \$23,705 reflects the impairment of the remaining royalty rights.

The consolidated entity announced its intention to dispose the Weeks Royalty in last financial year and received several non-binding and conditional proposals during the current financial year. As at 30 June 2019, no sale transaction has occurred. The directors have assessed and considered that at balance date the recognition criteria of AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations' have not been met, and therefore the Weeks royalty right is classified as a non-current asset.

Note 9. Current liabilities - trade and other payables

| | Consolidated | |
|----------------|---------------------|---------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Trade payables | 22,312 | 5,458 |
| Other payables | 82,874 | 28,001 |
| | <hr/> | <hr/> |
| | <u>105,186</u> | <u>33,459</u> |

Refer to note 12 for further information on financial instruments.

Note 10. Equity - issued capital

| | 2019 | Consolidated | |
|------------------------------|-------------------|---------------------|-------------------|
| | Shares | 2018 | 2019 |
| | | Shares | \$ |
| | | | \$ |
| Ordinary shares - fully paid | <u>52,714,183</u> | <u>52,714,183</u> | <u>12,321,611</u> |
| | | | <u>12,321,611</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 10. Equity - issued capital (continued)

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 12. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity is not exposed to significant foreign exchange risk.

Price risk

The consolidated entity is not exposed to significant price exchange risk.

Interest rate risk

The consolidated entity is exposed to interest rate risk on its cash holdings. The consolidated entity does not have any interest bearing liabilities

Refer below for a sensitivity analysis in relation to the consolidated entity's exposure to interest rate risk:

Note 12. Financial instruments (continued)

| | Basis points increase | | | Basis points decrease | | |
|----------------------------|-----------------------|--------------------------------|---------------------|-----------------------|--------------------------------|---------------------|
| | Basis points change | Effect on profit before tax \$ | Effect on equity \$ | Basis points change | Effect on profit before tax \$ | Effect on equity \$ |
| Consolidated - 2019 | | | | | | |
| Cash at bank | 100 | <u>23,635</u> | <u>23,635</u> | 100 | <u>(23,635)</u> | <u>(23,635)</u> |
| | | | | | | |
| | Basis points increase | | | Basis points decrease | | |
| | Basis points change | Effect on profit before tax \$ | Effect on equity \$ | Basis points change | Effect on profit before tax \$ | Effect on equity \$ |
| Consolidated - 2018 | | | | | | |
| Cash at bank | 100 | <u>21,641</u> | <u>21,641</u> | 100 | <u>(21,641)</u> | <u>(21,461)</u> |

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for expected credit losses on those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

During the 2019 year the consolidated entity recognised an expected credit loss of \$2,910 (2018: nil).

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| Consolidated - 2019 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 105,186 | - | - | - | 105,186 |
| Total non-derivatives | | <u>105,186</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>105,186</u> |

Note 12. Financial instruments (continued)

| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Consolidated - 2018 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 33,459 | - | - | - | 33,459 |
| Total non-derivatives | | 33,459 | - | - | - | 33,459 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 13. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Short-term employee benefits | 110,000 | 277,624 |
| Post-employment benefits | - | 4,722 |
| Termination benefits | - | 54,838 |
| | <u>110,000</u> | <u>337,184</u> |

It has been determined that Justin Clyne, in his capacity as company secretary, does not meet the definition of the key management personnel in the current year. The short term benefits in the 2018 financial year included \$30,000 of fees in relation to him.

Note 14. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

| | Consolidated | |
|--|---------------------|---------------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Audit services - Deloitte Touche Tohmatsu</i> | | |
| Audit or review of the financial statements | <u>39,700</u> | <u>38,500</u> |

Note 15. Commitments

| | Consolidated | |
|---|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Lease commitments - operating</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 20,848 | 82,966 |
| One to five years | - | 20,848 |
| | <u>20,848</u> | <u>103,814</u> |

Operating lease commitments include the remaining contracted amounts for the company's Melbourne office. This lease expires in September 2019, and will not be renewed.

Note 16. Related party transactions

Parent entity

Royalco Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Key management personnel

Disclosures relating to key management personnel are set out in note 13 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|--|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Payment for other expenses: | | |
| Consulting fees paid to BPR Holdings Pty Ltd (an entity associated with Mr Geoff Barker) | 3,437 | 20,000 |

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|--|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Current payables: | | |
| Trade payables to BPR Holdings Pty Ltd (an entity associated with Mr Geoff Barker) | - | 5,458 |

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 17. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------|---------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loss after income tax | (248,478) | (421,672) |
| Total comprehensive loss | (248,478) | (421,672) |

Statement of financial position

| | Parent | |
|---------------------------|---------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Total current assets | 2,652,321 | 2,451,583 |
| Total assets | 8,531,488 | 8,761,167 |
| Total current liabilities | 118,511 | 79,802 |
| Total liabilities | 118,511 | 99,712 |
| Equity | | |
| Issued capital | 12,321,611 | 12,321,611 |
| Accumulated losses | (3,908,634) | (3,660,156) |
| Total equity | 8,412,977 | 8,661,455 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

Note 18. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-----------------------------------|---|---------------------------|-------------|
| | | 2019 | 2018 |
| | | % | % |
| Ginto Minerals Pty Ltd * | Australia | 100.00% | 100.00% |
| Royalco Resources (No1) Pty Ltd * | Australia | 100.00% | 100.00% |

* These entities were dormant during the current and prior year.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 20. Reconciliation of loss after income tax to net cash from/(used in) operating activities

| | Consolidated | |
|--|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loss after income tax expense for the year | (248,478) | (421,672) |
| Adjustments for: | | |
| Depreciation and amortisation | 425,000 | 425,000 |
| Impairment of intangibles | - | 23,705 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 5,574 | (103,487) |
| Increase in other operating assets | (1,577) | (32,675) |
| Increase in trade and other payables | 63,477 | 23,199 |
| Decrease in employee benefits | - | (392,525) |
| Increase/(decrease) in other provisions | (44,678) | 58,003 |
| Net cash from/(used in) operating activities | <u>199,318</u> | <u>(420,452)</u> |

Note 21. Loss per share

| | Consolidated | |
|---|---------------------|-------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Royalco Resources Limited | <u>(248,478)</u> | <u>(421,672)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>52,714,183</u> | <u>52,714,183</u> |
| Weighted average number of ordinary shares used in calculating diluted loss per share | <u>52,714,183</u> | <u>52,714,183</u> |
| | Cents | Cents |
| Basic loss per share | (0.47) | (0.80) |
| Diluted loss per share | (0.47) | (0.80) |

Royalco Resources Limited
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Sue Thomas
Non-Executive Chair

24 September 2019
Sydney

Independent Auditor's Report to the Members of Royalco Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Royalco Resources Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|--|
| <p><i>Impairment of the royalty right</i></p> <p>As at 30 June 2019, the Group's intangible assets comprises of an investment in the Weeks royalty right at amortised cost totalling \$5,879,167 as disclosed in Notes 2 and 8.</p> <p>Significant judgement is required to determine if there are any indicators of impairment of the Weeks royalty right which would cause the intangible assets not to be recovered at their carrying values.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key processes adopted by the directors to assess if there are any impairment indicators in relation to the Group's royalty rights; • Assessing the directors' consideration of market capitalisation of the Company, royalty income received and offers received during the year for the Weeks royalty right; • Reviewing board minutes and published media reports during the year to assess if there is any information regarding the hydrocarbon production of the Bass Strait fields which may impact the recoverability of the Weeks royalty right; and • Assessing the appropriateness of the disclosures included in Notes 2 and 8 to the financial statements. |

Other Information

The directors are responsible for the other information. The other information comprises the Corporate Directory, Directors' Report and ASX Additional Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's Letter, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Letter, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 8 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Royalco Resources Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Cheryl Kennedy
Partner
Chartered Accountants
Sydney, 25 September 2019

Royalco Resources Limited
Additional ASX information
30 June 2019

The below shareholder information was applicable as at 21 August 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of shares held | Number of holders of ordinary shares |
|-------------------|--------------------------------------|---|
| 1 to 1,000 | 6,285 | 35 |
| 1,001 to 5,000 | 140,119 | 44 |
| 5,001 to 10,000 | 172,635 | 20 |
| 10,001 to 100,000 | 1,859,603 | 56 |
| 100,001 and over | 50,535,541 | 9 |
| | 52,714,183 | 164 |

There were 51 holders of less than a marketable parcel of ordinary shares, comprising a total of 34,621 shares (0.07% of shares on issue), being a parcel of less than 2,632 shares based on a closing price of \$0.19 on 21 August 2019.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number held | Ordinary shares % of total shares issued |
|---------------------------|--------------------|---|
| FITZROY RIVER CORP LTD | 25,174,923 | 47.76 |
| J P MORGAN NOM AUST PL | 18,614,166 | 35.31 |
| HIGH PEAK ROYALTIES LTD | 5,470,452 | 10.38 |
| HENRY JACOBS GEELONG PL | 270,000 | 0.51 |
| HENRY JACOBS GEELONG PL | 255,000 | 0.48 |
| H F A ADMINISTRATION PL | 201,000 | 0.38 |
| PATTERSON GRANT + DEBBIE | 200,000 | 0.38 |
| NETWEALTH INV LTD | 200,000 | 0.38 |
| 3KY PL | 150,000 | 0.28 |
| BROWN IAN + MARION | 90,000 | 0.17 |
| CONDON KEVIN R + J J | 81,000 | 0.15 |
| WHITE ANTHONY JUSTIN | 80,000 | 0.15 |
| NICOL ROBERT E G + M R | 75,000 | 0.14 |
| FRYDMAN VICKI + RUTH | 60,000 | 0.11 |
| OSSIE SUPA PL | 60,000 | 0.11 |
| SIGLOS INV PL | 52,000 | 0.10 |
| HALLETT-CARPENTER N P + S | 50,000 | 0.09 |
| HALLETT-CARPENTER NEIL | 50,000 | 0.09 |
| GOLDSCHMIDT ERROL B + Z | 50,000 | 0.09 |
| YU KENNETH | 50,000 | 0.09 |
| | 51,233,541 | 97.15 |

Unquoted equity securities

There are no unquoted equity securities.

Royalco Resources Limited
Additional ASX information
30 June 2019

Substantial holders

The names of substantial shareholders in Royalco Resources Limited and the number of equity securities to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholder notices given to Royalco Resources Limited, are set out below:

| | Ordinary shares | |
|--|------------------------|---------------------------------|
| | Number held | % of total shares issued |
| Fitzroy River Corporation Limited dated and released 07.03.17 | 25,174,923 | 47.76 |
| Noontide Investments Ltd dated and released 30.03.17 | 10,261,363 | 19.47 |
| Samuel Terry Asset Management Pty Ltd dated 13.02.18 (released 14.02.18) | 8,049,617 | 15.27 |
| High Peak Royalties dated and released 14.02.17 | 5,630,776 | 10.68 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

Shareholder voting rights are contained within clause 7.8 on page 27 of the Company's Constitution lodged with the ASX on 27 June 2006.

Buy back

There is no buyback of the Company's shares currently active.

Escrow

There are no shares subject to ASX or voluntary escrow.

There are no other classes of equity securities.