



12 December 2019

Company Announcements Office

ASX Limited

Target's Statement

Attached is a copy of the Target's Statement of Royalco Resources Limited (ASX: **RCO**) (**Royalco**) in response to the off-market takeover bid by Fitzroy River Corporation Limited (ASX: **FZR**) for all the ordinary shares in Royalco it does not own, as announced to ASX on 14 November 2019.

The Independent Board Committee recommends that shareholders **ACCEPT** the Offer in the absence of a superior proposal.

The supporting reasons for the recommendation, and the Independent Expert's Report, are set out in full in the Target's Statement.

DAVID CROLL

Director and sole member of the Independent Board Committee

Registered Office and Principal Place of Business: Suite 6.02, Level 6, 28 O'Connell Street, Sydney NSW 2000

Mail to: GPO Box 4626 Sydney NSW 2001

Tel: + 61 2 9048 8856 Website: www.royalco.com.au



ROYALCO
RESOURCES LIMITED

(ABN 53 096 321 532)

Target's Statement

This Target's Statement has been issued in response to the off-market cash takeover offer made by **Fitzroy River Corporation Limited** (ABN 75 075 760 655) (**Fitzroy**) to acquire all of the ordinary shares in Royalco Resources Limited (**Royalco** or the **Company**) it does not own for **24 cents** cash per share. (**Offer**)

The Independent Board Committee recommends that you ACCEPT the Offer in the absence of a superior proposal.

To accept the Offer, complete, sign and return the acceptance form enclosed with the Bidder's Statement in accordance with the instructions on that form.

henslow

Financial Adviser to Royalco

WM
WATSON MANGIONI

Legal Adviser to Royalco

IMPORTANT INFORMATION

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

IMPORTANT NOTICES

Nature of this document

This is a Target's Statement issued by Royalco under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover offer made by Fitzroy for all of the fully paid ordinary shares in Royalco it does not own.

ASIC lodgement

This Target's Statement is dated 12 December 2019 and was lodged with the ASIC and given to ASX on that date. Neither ASIC, nor ASX, nor any of their respective officers take any responsibility for the contents of this Target's Statement.

Defined terms

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

No account of personal circumstances

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

Disclaimer as to forward looking statements

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

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

Disclaimer as to information

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

Foreign jurisdictions

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

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

Maps and diagrams

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

Privacy

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

CONTENTS

IMPORTANT NOTICES	2
INDEPENDENT BOARD COMMITTEE LETTER.....	4
1. KEY FEATURES OF THE OFFER.....	5
2. INDEPENDENT BOARD COMMITTEE RECOMMENDATION AND REASONS	8
3. KEY QUESTIONS	11
4. IMPORTANT MATTERS FOR SHAREHOLDERS TO CONSIDER	15
5. INFORMATION REGARDING ROYALCO	19
6. INFORMATION RELATING TO THE DIRECTORS	21
7. ADDITIONAL INFORMATION	22
8. GLOSSARY AND INTERPRETATION	25
9. AUTHORISATION.....	27
10. INDEPENDENT EXPERT'S REPORT	28

KEY DATES

Announcement of Offer	14 November 2019
Date of Bidder's Statement	21 November 2019
Date of the Offer	5 December 2019
Offer Period commences	5 December 2019
Date of this Target's Statement	12 December 2019
Expiry of the Offer Period (unless withdrawn or extended)	7:00pm (Sydney time) 13 January 2020

CORPORATE DIRECTORY

Directors

Ms Susan Thomas
Mr Malcolm McComas
Mr David Croll

Company Secretary

Mr Justin Clyne

Registered Office

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

Financial Adviser

Henslow Pty Ltd
Level 18, Deutsche Bank Place,
126 Phillip Street
Sydney NSW 2000

Legal Adviser

Watson Mangioni Lawyers Pty Limited
Level 23, 85 Castlereagh Street
Sydney NSW 2000

Independent Expert

BDO Corporate Finance (East Coast) Pty Ltd
(AFSL 247420)
Level 11, 1 Margaret St
Sydney NSW 2000

INDEPENDENT BOARD COMMITTEE LETTER

12 December 2019

Dear Shareholder

OFFER BY FITZROY

On 14 November 2019 Fitzroy River Corporation Limited (**Fitzroy**) announced an off-market takeover bid to acquire all of the ordinary shares (**Shares**) in Royalco Resources Limited (**Royalco** or **Company**) it does not already own at the Offer Price of 24 cents cash per Share (**Offer**). As at the date of this letter, Fitzroy holds 25,174,923 Shares, which is 47.76% of the total number of Shares on issue.

Fitzroy has prepared a Bidder's Statement dated 21 November 2019 which sets out the full terms of the Offer. The Bidder's Statement has been sent to you by Fitzroy. A copy of the Bidder's Statement is also available from the ASX website at asx.com.au.

It is a term of the Offer that you may only accept in respect of all of your Shares, and not some of your Shares only.

The Offer is subject to certain defeating conditions (set out in the Bidder's Statement and summarised in Section 1.3 of this Target's Statement). The Offer will remain open for acceptance until 7.00pm on 13 January 2019 (unless extended or withdrawn in accordance with the Corporations Act).

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

This Target's Statement sets out the Company's response to the Offer and contains the recommendation of the Independent Board Committee, the reasons for that recommendation and other important information you should consider when deciding whether to accept the Offer.

Importantly, this Target's Statement includes an Independent Expert's Report prepared by the Independent Expert, BDO. The Independent Expert has concluded that the Offer is fair and reasonable, in the absence of a superior proposal.

The Independent Board Committee has carefully considered the Offer and recommends that Shareholders ACCEPT the Offer in the absence of a superior proposal.

The supporting reasons for the recommendation are set out in Section 2.1 of this Target's Statement.

I also intend to accept the Offer in respect of all Shares I control, in the absence of a superior proposal.

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

I encourage you to read this Target's Statement, including the Independent Expert's Report, carefully. If you need any more information, I recommend that you consult with your lawyer, accountant, stockbroker or other professional adviser.

Yours sincerely



David Croll
Director and sole member of the Independent Board Committee

1. KEY FEATURES OF THE OFFER

1.1 Offer price payable to Shareholders who accept the Offer

Under the Offer, Fitzroy is offering Shareholders 24 cents cash per Share.

1.2 Offer for all your Shares only

It is a term of the Offer that you may only accept the Offer in respect of all your Shares, and not some of your Shares only.

1.3 Defeating conditions

The Offer is subject to defeating conditions. In summary, the defeating conditions are:

- (a) Fitzroy receives sufficient acceptances to increase its Relevant Interest in Shares by the end of the Offer Period to or above 90% of the Shares then on issue (**Minimum Acceptance Condition**);
- (b) the S&P/ASX All Ordinaries Index does not:
 - (i) close at a level that is 10% or more below the level of that index at 5.00pm (Sydney time) on 20 November 2019; and
 - (ii) remain at or below that level for at least two consecutive ASX trading days, (**Market Fall Condition**)¹; and
- (c) there are no Prescribed Occurrences (as specified in section 652C(1) and (2) of the Corporations Act).

If these defeating conditions are not satisfied or waived in accordance with the Corporations Act and the terms of the Offer, then the Offer, and any contract formed upon your acceptance of the Offer, will be void.

Fitzroy has, in its Bidder's Statement, stated that it intends to waive the Market Fall Condition upon the Minimum Acceptance Condition being satisfied.

See section 9.7 of the Bidder's Statement for further information on the defeating conditions.

1.4 Offer Period

Unless Fitzroy's Offer is extended or withdrawn in accordance with the Corporations Act, it is open for acceptance until 7.00pm on 13 January 2010. If you decide to accept the Offer, your acceptance must be received by Fitzroy before the end of the Offer Period.

1.5 Variation of the Offer

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

1.6 Withdrawal of Offer

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

1.7 Your ability to withdraw your acceptance

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

¹ At 5.00pm (Sydney time) on 20 November 2019, the S&P/ASX All Ordinaries Index was at 6828.25 (data sourced from ASX, who has not consented to its use in this Target's Statement in accordance with ASIC Instrument 2016/72).

1.8 When you will receive payment of the Offer Price if you accept the Offer

If you accept the Offer, you will be paid the Offer Consideration on the later of:

- (a) 1 month after the date you validly accept the Offer; or
- (b) 1 month after the date the Offer becomes or is declared unconditional,

and in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

1.9 Effect of an increase in the Offer Price

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

1.10 Compulsory acquisition

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

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

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

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

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

(b) Alternative compulsory acquisition regime

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

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

acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

2. INDEPENDENT BOARD COMMITTEE RECOMMENDATION AND REASONS

2.1 Recommendation and reasons

The Independent Board Committee recommends that shareholders **ACCEPT** the Offer in the absence of a superior proposal for the reasons set out below:

- (a) The Offer allows Shareholders to sell all of their Shares for cash consideration equal to \$0.24 per Share. There is no guarantee that Shareholders would be able to sell their Shares for a price equal to or greater than the Offer Price at a future point in time.
- (b) The Offer Price is an approximate 20% premium to the one month and three-month VWAP of Shares traded on ASX up to the Announcement Date.
- (c) The Offer values Royalco at approximately \$12.65 million. This is a 50% premium to Royalco's net assets (\$8.41 million as at 30 June 2019).
- (d) Although the Company is listed on ASX, the market for Shares is relatively illiquid, with very low volume of trading in Shares occurring on ASX for a number of years. The Offer provides a liquidity event opportunity for Shareholders that, in the opinion of the Independent Board Committee, is unlikely to recur in the near future. Liquidity in trading of Shares on ASX is likely to decrease even further if Fitzroy acquires Shares under the Offer and Royalco remains listed on ASX.
- (e) The Independent Expert has concluded that the Offer is fair and reasonable, in the absence of a superior proposal. Refer to the Independent Expert's Report for further information.
- (f) The Independent Expert has assessed the fair value of the Company's equity on a controlling interest basis to be \$0.16 to \$0.25. This means that in the Independent Expert's opinion the Offer Price of \$0.24 per Share is fair value. Refer to the Independent Expert's Report for further information.
- (g) As announced to ASX at the time, the Company conducted a sale process for the Weeks Royalty (the Company's sole substantial asset) in 2018 and 2019, following which it entered into an agreement to assign that royalty to a third party for \$5.8 million (see ASX announcement dated 9 April 2019). That third party was unable to obtain funding to complete the sale, and the agreement was terminated (as announced on 1 July 2019). The implied value of Royalco of \$12.65 million under the Offer. The implied value of Royalco under the Offer is \$12.65 million. Taking into account the cash balance of the Company of \$2.428 million as at 30 September 2019, and any reasonable value ascribed to Royalco's royalties other than the Weeks Royalty, the implied value of the Offer still greatly exceeds the \$5.8 million value previously agreed to by the Board for the transfer of the Weeks Royalty. For further information see Sections 4.1 and 5.2.
- (h) Since announcement of the Offer, there have been no competing offers and there are currently no known alternative offers to the Offer from Fitzroy (whether for Shares or Royalco's assets), and the Independent Board Committee considers that it is unlikely that one will be presented in the near future, given Fitzroy's current shareholding position in the Company and the sale process previously undertaken.
- (i) If you accept the Offer and Fitzroy subsequently raises the Offer Price, you will be entitled to the increased Offer Price for your Shares.
- (j) There are a number of risks, general and specific, associated with being a Shareholder in Royalco. A summary of these risks is set out in section 4.5 of this Target's Statement.
- (k) If Fitzroy becomes entitled to do so, it intends to exercise its entitlement under the Corporations Act to compulsorily acquire the remaining Shares that Fitzroy does not own. If your Shares are compulsorily acquired you will be paid later than Royalco Shareholders who accept the Offer. See Sections 1.10 and 7.4 of this Target's Statement for further information.

Should there be any developments during the Offer Period which would alter the Independent Board Committee's recommendation in relation to the Offer, Shareholders will be notified through a supplementary target's statement.

2.2 Reasons not to accept the Offer

Although acceptance of the Offer is recommended by the Independent Board Committee, there are some factors that may lead you to not accept the Offer, such as:

- (a) Despite the recommendation of the Independent Board Committee and the opinion of the Independent Expert, you may take a different view and you may believe that the Offer is not in your best interests or is not fair value for your Shares.
- (b) You may consider that there is potential for a superior proposal from another party to emerge. As at the date of this Target's Statement no superior proposal has been received by the Company.
- (c) Shareholders who accept the Offer will not be able to participate in any potential increase in the Share price in the future (unless Fitzroy increases the Offer Price) or the right to participate in any future Royalco dividends. If you accept the Offer and cease to be a Shareholder, Fitzroy will own your Shares and any future benefits will accrue to Fitzroy.
- (d) Shareholders may wish to maintain an investment exposure to Royalco's assets, in particular the Weeks Royalty.

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

2.3 Other considerations

In considering whether to accept the Offer, the Independent Board Committee encourages you to:

- (a) read the whole of this Target's Statement and the Bidder's Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (c) obtain independent financial, legal, taxation or other professional advice before making a decision as to whether or not to accept the Offer.

2.4 Independent Board Committee

The Board of Directors of the Company established an Independent Board Committee to consider the Offer on behalf of the Company and Shareholders. Mr David Croll was the sole member of the Independent Board Committee. The other Directors of the Company, Ms Susan Thomas and Mr Malcolm McComas, are also directors of Fitzroy. The Company understands that both Ms Thomas and Mr McComas were involved in board deliberations of Fitzroy in respect of the Offer. Accordingly, it was not considered appropriate for them to consider the Offer on behalf of the Company in their capacity as Directors.

Mr David Croll has interests in both Royalco and Fitzroy shares, due to his association with Noontide Investments which has the following holdings:

- (a) 6,538,782 Fitzroy shares (7.57% of Fitzroy shares on issue); and
- (b) 10,519,663 Royalco Shares (19.96% of Royalco Shares on issue).

In addition, Noontide Investments has an approximate 27% shareholding in High Peak Royalties Limited. High Peak Royalties has a disclosed holding of 5,630,776 Royalco Shares (10.68% of Shares on issue).

However, Mr Croll is not a director of Fitzroy.

The Board of Directors of the Company acknowledged that Mr Croll's interests in both Royalco and Fitzroy shares could give rise to a perception of a conflict for him. However, the Board did not consider that these interests prejudiced Mr Croll's ability to act as sole member of the Independent Board Committee in an independent capacity, particularly having regard to the fact that his interest in the Company's Shares is significantly greater (on a proportionate basis) than his interest in Fitzroy shares.

A protocol was adopted by the Board to govern the operation of the Independent Board Committee which seeks to address any actual or perceived conflicts that may arise relating to the Offer as a result of the overlap in the composition of the boards of directors of both the Company and Fitzroy. The protocol excluded Ms Thomas and Mr McComas from taking part in the consideration of the Offer on behalf of the Company except in very limited circumstances, with the agreement of the Independent Board Committee or as required by law.

Ms Susan Thomas and Mr Malcolm McComas, both Directors of the Company, also declined to make a recommendation in relation to the Offer on the basis that they are also directors of Fitzroy. They each formed a view that it is inappropriate for them to make a recommendation as Director of the Company in those circumstances.

Other than informing the Board that they do not intend to make a recommendation, Ms Thomas and Mr McComas have not been involved in the response to the Offer (including the appointment of the Independent Expert) or in the preparation of this Target's Statement, through the Independent Board Committee or otherwise, except to the extent required by law.

2.5 Intentions of the Directors in relation to the Offer

Mr Croll intends to cause Noontide Investments to accept the Offer in respect of the 10,519,663 Shares in which it is the registered or beneficial holder, in the absence of a superior proposal. See Section 6.1 for more information.

Mr McComas has no disclosed interest in Shares.

Ms Thomas' only interest in Shares is in respect of Fitzroy's holding of Shares, which are not the subject of the Offer.

3. KEY QUESTIONS

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

Question	Answer
What is the Target's Statement?	The Target's Statement has been prepared by Royalco and provides Royalco's response to the Offer, including the Independent Expert's Report.
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer, a copy of which was lodged with ASIC and released to the ASX on 21 November 2019.
What is Fitzroy's Offer for my Shares?	Fitzroy is offering 24 cents cash for every Share that you hold. It is a term of the Offer that you may only accept the Offer in respect of all of your Shares, and not some of your Shares only.
What are the conditions to the Offer?	<p>The Offer is subject to defeating conditions, being:</p> <ol style="list-style-type: none"> 1. the Minimum Acceptance Condition; 2. the Market Fall Condition; and 3. there being no Prescribed Occurrences. <p>Fitzroy has stated that it intends to waive the Market Fall Condition upon the Minimum Acceptance Condition be satisfied.</p> <p>For further information in relation to the conditions, see the Bidder's Statement.</p> <p>Fitzroy is under an obligation to give notice of fulfilment of any conditions, and its waiver of any conditions. It must also give notice of the status of each defeating condition on 13 January 2020 (subject to extension in accordance with the Corporations Act if the Offer Period is extended). All such notices will be released on ASX.</p>
What choices do I have as a Royalco Shareholder?	<p>As a Shareholder, you have the following choices in respect of your Shares:</p> <ol style="list-style-type: none"> 1. ACCEPT the Offer in respect of all of your Shares. 2. NOT ACCEPT the Offer and do nothing. 3. TRY TO SELL your Shares on ASX. <p>There are several implications in relation to each of the above choices. You should read this Target's Statement and the Bidder's Statement in full to obtain a summary of these implications.</p> <p>If you are in any doubt as to what to do, you should consult with your investment, financial, taxation or other professional adviser.</p>

Question	Answer
How do I ACCEPT the Offer?	To ACCEPT the Offer, you should follow the instructions set out in the Bidder's Statement.
How do I NOT ACCEPT the Offer?	To NOT ACCEPT the Offer, simply do nothing.
Can I sell my Shares on ASX during the Offer Period?	Yes. During the period of the Offer, you may sell your Shares on ASX <u>provided that</u> you have not accepted the Offer. No assurance is given as to whether you will be able to sell your Shares on ASX at a price acceptable to you.
Why was an Independent Board Committee formed?	Ms Susan Thomas and Mr Malcolm McComas, Directors of Royalco, are also directors of Fitzroy. Accordingly, the Board established an Independent Board Committee to consider the Offer, prepare this Target's Statement and make a recommendation to Shareholders in respect of the Offer. Mr David Croll is the sole member of the Independent Board Committee.
What is the Independent Board Committee recommending?	The Independent Board Committee recommends that you ACCEPT the Offer, in the absence of a superior proposal.
Why was the Independent Expert appointed?	Under the Corporations Act, Royalco had to appoint an independent expert to prepare a report on whether the Offer is fair and reasonable for inclusion in this Target's Statement. BDO was appointed as Independent Expert.
What did the Independent Expert conclude?	The Independent Expert's conclusion is contained in the Independent Expert's Report. The Independent Expert has concluded that the Offer is fair and reasonable in the absence of a superior proposal. You are encouraged to read the report in full.
Who is Fitzroy?	Fitzroy is an ASX listed oil and gas investment holding company with a focus on non-operational assets such as royalties, free carried interests and minority equity positions.
How many Shares does Fitzroy already have an interest in?	Fitzroy's Bidder's Statement discloses that it has a Relevant Interest in 25,274,923 Shares, representing 47.76% of the Shares on issue in Royalco.
If I accept the Offer, can I withdraw my acceptance?	If you accept the Offer you will be legally bound to sell those Shares and you cannot later withdraw your acceptance except in limited circumstances permitted by law.
When does the Offer Period end?	The Offer is currently scheduled to close at 7.00pm on 13 January 2020 (unless extended in accordance with the Corporations Act). If you wish to accept the Offer you need to do so before the Offer Period expires.

Question	Answer
When will I receive payment if I accept the Offer?	<p>If you accept the offer, Fitzroy will pay to you the Offer Consideration to which you are entitled on or before the earlier of:</p> <p>(a) 1 month after the date you validly accept the Offer; or</p> <p>(b) 1 month after the date the Offer becomes or is declared unconditional,</p> <p>and in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.</p> <p>Refer to the Bidder's Statement for further details regarding timing for payment on acceptance.</p>
Can Fitzroy vary the Offer?	<p>Fitzroy can only vary the Offer in certain circumstances in accordance with the Corporations Act. Such a variation could include an increase in the Offer Price. Fitzroy has not stated whether or not it may increase the Offer Price above 24 cents per Share. If Fitzroy does increase the Offer Price, Shareholders who have already accepted would receive that increased Offer Price.</p>
What if there is a competing offer?	<p>If a competing offer for Royalco emerges, Shareholders will be informed through an announcement to ASX.</p> <p>If you have already accepted the Offer, you will be unable to accept the competing offer unless the Fitzroy Offer first lapses.</p>
Can I be forced to sell my Shares?	<p>You cannot be forced to sell your Shares unless Fitzroy and its Associates acquire a Relevant Interest in at least 90% of all Shares, in which case it is entitled to compulsorily acquire the remaining Shares under the Corporations Act (see Sections 1.10 and 7.4 of this Target's Statement for further information).</p> <p>If Fitzroy proceeds to compulsory acquire Shares held by Shareholders who did not accept the Offer, those Shareholders will receive the Offer Price for their Shares.</p> <p>Fitzroy's intentions with respect to compulsory acquisition are set out in sections 4.3 and 4.4 of the Bidder's Statement. In summary, Fitzroy has indicated that if it becomes entitled to do so, it intends to compulsorily acquire any outstanding Shares in accordance with the Corporations Act.</p>
What do the Directors intend to do with their Shares?	<p>Mr Croll intends to cause the 10,519,663 Shares he controls (held by Noontide Investments) to accept the Offer in the absence of a superior proposal.</p> <p>The other Directors have no disclosed interest in Shares other than the disclosures set out in Section 6.1(a), note (1) and Section 7.4, note (1) of this Target's Statement regarding the relevant interest in Royalco Shares held by Fitzroy.</p>

What are Fitzroy's intentions with respect to Royalco?

Fitzroy's intentions with respect to Royalco are set out in section 4 of the Bidder's Statement.

4. IMPORTANT MATTERS FOR SHAREHOLDERS TO CONSIDER

4.1 Prior sale process for Weeks Royalty

In early 2018, the Board of Royalco resolved to conduct a sale process for the Weeks Royalty. Geoff Barker, independent Director of Royalco at the time, was tasked to oversee the process. Various advisers to Royalco were appointed as part of this process.

A standard sell-side process was conducted in 2018, involving the identification of possible buyers, assembling of a data room, and production of marketing materials.

Attempts were then made to contact possible buyers. Some of those parties contacted expressed interest and signed confidentiality agreements and received an information memorandum in respect of the Weeks Royalty.

In the period through to approximately mid-2018, a number of those parties accessed the data room, held discussions with the Company and its advisers, and put forward expressions of interest. Expressions of interest generally were in the range of \$5.5 million to \$6 million and were generally either highly conditional (e.g. subject to finance), or at the lower end of that price range. However, by mid-2018, none of these expressions of interest resulted in a binding agreement for the sale of the Weeks Royalty being entered into.

A more informal process was conducted from that time until December 2018, during which time a number of parties (including previously engaged parties) were contacted regarding potential interest in acquiring the Weeks Royalty.

From those parties, Royal Energy Pty Limited (a private, independent Australian oil and gas company unrelated to Royalco) made a formal offer in January 2019 which resulted in a binding agreement being entered into, with completion being subject to the buyer obtaining finance and Royalco Shareholders approving the sale at a general meeting. The purchase price agreed was \$5.8 million. In June 2019, the purchase agreement was terminated as the buyer had not raised the funds by the agreed deadline (and therefore Royalco did not hold a general meeting to approve the sale).

Subsequent to this, the Company has fielded informal expressions of interest from a small number of other parties, with the purchase prices discussed being similar to that agreed with Royal Energy Pty Limited. However, these expressions of interest have not resulted in receipt of any formal offers or entry into binding agreements.

The implied value of Royalco under the Offer is \$12.65 million. Taking into account the cash balance of the Company of \$2.428 million as at 30 September 2019, and any reasonable value ascribed to Royalco's royalties other than the Weeks Royalty, the implied value of the Offer still greatly exceeds the \$5.8 million value previously agreed to by the Board for the transfer of the Weeks Royalty.

4.2 Sources of consideration

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

- (a) cash in its bank accounts that is either at call or on short term deposit;
- (b) under a secured loan agreement repayable on 14 November 2020; and
- (c) cash proceeds from the future sale of such number of other ASX listed securities held by Fitzroy as may be required to meet any shortfall.

4.3 Minority ownership consequences

If control of Royalco passes to Fitzroy as a result of the Offer, in circumstances where Fitzroy does not proceed with compulsory acquisition of your Shares, there may be additional factors that need to be considered, including:

- (a) the number of Shares traded on ASX could be significantly reduced. Shares not accepted into the Offer could become more illiquid and infrequently traded and, as such, the ASX market price may no longer be a reliable indicator of value;

- (b) the Shares acquired by Fitzroy under the Offer will form part of the security package under the secured loan agreement Fitzroy has entered into to pay the Offer Consideration. If Fitzroy defaults under that loan, the lender may enforce its security over the Shares and seek to sell them on ASX or elsewhere to repay the loan amount, which may reduce the market value of Shares;
- (c) Fitzroy may be in a position to control the composition of management and the strategic direction of Royalco and its subsidiaries. This would be effected through control of the Board. Fitzroy has stated, in section 4 of the Bidder's Statement, that it intends to seek the appointment of a majority of Fitzroy nominees to the Board to reflect the proportionate ownership interest of Fitzroy and other Royalco Shareholders;
- (d) Fitzroy may be in a position to pass special resolutions at meetings of Shareholders. This will enable Fitzroy to, among other things, change Royalco's Constitution; and
- (e) Fitzroy may be in a position to arrange for Royalco to be removed from the official list of ASX. If this occurs, any remaining Shareholders will not be able to sell their Shares on-market.

You should also read section 4 of the Bidder's Statement which describes Fitzroy's intentions in the event that it acquires control (including varying levels of control) of Royalco and Section 2 of this Target's Statement which describes the Independent Board Committee's recommendation and reasons in relation to the Offer.

4.4 Taxation consequences

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

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

4.5 Risk factors associated with Royalco

In considering whether to accept the Offer, Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of Royalco and the value of Shares. Many of these risks are relevant to Shareholders today and will be relevant to Shareholders who remain as Shareholders following the completion of the Offer. Many of these risks are outside the control of Royalco and its Board.

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

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

Specific Risks

(a) Commodities Prices

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

(b) Production and operation risks

The development and production risks incurred by the project operators who generate Royalco's royalty revenue will always remain part of any royalty interest held. These risks

include financing, construction and satisfactory completion of developmental projects, the ongoing financial capacity of the operator to make royalty payments as and when they fall due, keeping tenements/licences in good standing, satisfying all environmental standards and maintaining plant operational performance.

Exxon Mobil announced in September 2019 that it has decided to sell its Bass Strait oil and gas assets. Royalco anticipates that production will continue as previously expected despite any sale but there is no guarantee of this occurring.

(c) **Contractual risks**

(i) **Counterparty contractual risks**

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

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

(ii) **Counterparty insolvency risks**

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

(iii) **Chain of title risk**

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

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

(iv) **Royalty risk**

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

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

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

General Risks

(e) Economic uncertainties

General economic conditions affect markets in which Royalco operates, including the consequences of a prolonged downturn in economic conditions and financial markets. Although Royalco cannot predict future economic activity, should there be a combination of an economic downturn, with other negative economic factors in the global economy it may make it difficult for Royalco to achieve its stated objectives.

(f) Market conditions

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

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

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

(g) Government legislation policy changes

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

(h) Force majeure

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

(i) Dividends

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

(j) Taxation

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

5. INFORMATION REGARDING ROYALCO

5.1 Background information on Royalco

Royalco is a royalty house with the objective of cash flow generation through royalty interests. Royalco was incorporated in Victoria in 2001 and was listed on the ASX in 2006.

5.2 Royalty interests

Royalco has interests in various royalties. A comprehensive list of these royalties is available in Royalco's Annual Report for the financial year ended 30 June 2019, lodged with ASX on 11 October 2019. The following provides a summary of Royalco's key royalty interests:

(a) Weeks Royalty

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

(b) Bowdens Project

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

Silver Mines Ltd (ASX: SVL) released a feasibility study in respect of this project in June 2018 with pre-feasibility work continuing on the project.

(c) Mt Garnet

Royalco retains a 3% net smelter return royalty interest in the Mt Garnet Project in Northern Queensland. The operator of the project is Consolidated Tin Mines Limited. The status of outstanding royalty remains uncertain until the operator provides further clarification.

(d) Blackwater Project

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

In July 2018, OceanaGold Corporation Limited (ASX: OGC) announced that it has secured the involvement of a new investor to undertake an exploration program over the next 3 – 5 years including the construction of a new decline with plans to convert the majority of the current mineral resource to the indicated JORC category necessary to support a mining decision. Significant further investment and exploration work is required in the project before a decision to mine can be considered in several years' time.

(e) Sam's Creek

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

(f) LFB

Royalco holds a 3% net smelter royalty over the northern portion of a tenement at Molong in New South Wales held by Regis Resources Limited (ASX: RRL).

5.3 Publicly available information about Royalco

Royalco is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Royalco is subject

to the ASX Listing Rules which require continuous disclosure of any information Royalco has that a reasonable person would expect to have a material effect on the price or value of its securities.

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

5.4 Financial information and related matters

Royalco's last published audited financial statements are for the financial year ended 30 June 2019 and were dated 7 September 2019 lodged with ASX on that date. Copies of Royalco's Annual Report may be obtained from ASX's website at www.asx.com.au (ASX Code: RCO) or from the Company's website at www.royalco.com.au.

Royalco's last published unaudited financial statements are for the quarter ended 30 September 2019 and were dated 28 October 2019 lodged with ASX on that date. Copies of Royalco's September 2019 Quarterly Report may be obtained from ASX's website at www.asx.com.au (ASX Code: RCO) or from the Company's website at www.royalco.com.au.

To the Directors' knowledge, there has not been any matter or circumstance, other than as announced to the ASX since the release of the September 2019 Quarterly Report or referred to in this Target's Statement, that has significantly affected, or may significantly affect, the operations or the financial position of Royalco, the results of operations of Royalco, or the state of affairs of Royalco in future financial years.

6. INFORMATION RELATING TO THE DIRECTORS

6.1 Interests and dealings in Royalco securities

(a) Interests in Royalco securities

As at the date of this Target's Statement, the Directors have disclosed the following interests in Shares:

Director	Shares	Voting Power in Royalco
Ms Susan Thomas	25,174,923 ⁽¹⁾	47.76%
Mr Malcolm McComas	NIL	NIL
Mr David Croll	15,990,115 ⁽²⁾	30.3%

⁽¹⁾ This interest arises due to Flexiplan Management Pty Ltd <Susan Thomas PSF A/C> having voting power in excess of 20% in Fitzroy, which, by operation of the Corporations Act, causes that entity to have a Relevant Interest in the Royalco Shares held by Fitzroy.

⁽²⁾ 10,519,663 Shares are held legally or beneficially by Noontide Investments, which Mr Croll controls. 5,470,452 Shares are held by High Peak Royalties Limited, in which Noontide Investments holds approximately 27% of the shares on issue, and which gives Noontide Investments and Mr Croll a Relevant Interest in the Royalco Shares held by High Peak Royalties Limited. Neither Mr Croll nor Noontide Investments controls High Peak Royalties Limited.

(b) Dealings in Royalco Securities

There have been no acquisitions or disposals of Shares by the Directors in the period of four months immediately preceding the date on which the Bidder's Statement was served on the Company.

6.2 Benefits and agreements

(a) Benefits in connection with retirement from office

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

(b) Agreements connected with or conditional on the Offer

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

(c) Benefits from Fitzroy

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

(d) Interests of directors in contracts with Fitzroy

None of the Directors have any interest in any contract entered into by Fitzroy, except for the service agreements that Ms Thomas and Mr McComas have with Fitzroy in respect of their position as directors of Fitzroy, which are on market standard terms.

7. ADDITIONAL INFORMATION

7.1 Effect of the takeover on Royalco's material agreements

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

7.2 Material litigation

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

7.3 Royalco's issued securities

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

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

7.4 Substantial holders

As at 12 December 2019, Royalco is aware from notices filed with the ASX, or (in the case of Noontide Investments Limited) from David Croll, that the following persons have substantial holdings in Royalco as specified below:

Name	Number of Royalco Shares	Percentage of issued capital
Fitzroy River Corporation Limited	25,174,923	47.76%
Flexiplan Management Pty Ltd <Susan Thomas PSF A/C>	25,174,923 ⁽¹⁾	47.76%
Noontide Investments Limited	10,515,663	19.47%
Samuel Terry Asset Management Pty Limited	8,049,617	15.27%
High Peak Royalties Limited	5,630,776	10.68%

⁽¹⁾ This interest arises due to Flexiplan Management Pty Ltd <Susan Thomas PSF A/C> having voting power in excess of 20% in Fitzroy, which, by operation of the Corporations Act, causes that entity to have a Relevant Interest in the Royalco Shares held by Fitzroy.

If all substantial shareholders listed above (other than the Fitzroy holding of Shares, which is not the subject of the Offer) accept the Offer, then the Minimum Acceptance Condition will be satisfied. In its Bidder's Statement, Fitzroy has stated an intention to waive the Market Fall Condition once the Minimum Acceptance Condition is satisfied. In that case, assuming satisfaction or waiver of the Prescribed Occurrences condition, this would result in Fitzroy becoming entitled under the Corporations Act to compulsorily acquire all Shares not accepted into the Offer.

See Section 2.5 in relation to Mr Croll's intention to cause Noontide Investments to accept the Offer.

7.5 Continuous disclosure

Royalco is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Royalco to notify ASX of information about specified matters and events as they occur for

the purpose of making that information available to the market. In particular, Royalco has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of the Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au (ASX Code: RCO) or from Royalco website at www.royalco.com.au.

7.6 Consents

Henslow Pty Ltd has given, and has not withdrawn, its consent to being named as financial adviser to the Company in this Target's Statement in the form and context in which it is named.

Watson Mangioni Lawyers Pty Limited has given, and has not withdrawn, its consent to being named as legal adviser to the Company in this Target's Statement in the form and context in which it is named.

BDO Corporate Finance (East Coast) Pty Limited (AFSL 247420) has given, and has not withdrawn, its consent to being named as the independent expert in this Target's Statement in the form and context in which it is named and to the inclusion of the Independent Expert's Report.

Each person named above as having given their consent to the inclusion of a statement or being named in this Target's Statement:

- (a) does not make, or purport to make, any statement made in the Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to their name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that person.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Pursuant to the Class Order, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact Royalco.

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

- (c) fairly representing a statement by an official person;
- (d) from a public official document or a published book, journal or comparable publication; or
- (e) trading data sourced from an approved financial market (including ASX).

7.7 Regulatory and other approval, consent or waiver requirements

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

7.8 No other material information

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

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

- (b) only if the information is known to any Director of Royalco.

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

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

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

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

8. GLOSSARY AND INTERPRETATION

8.1 Glossary

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

Announcement Date means 14 November 2019, being the day on which the Offer was announced by Fitzroy with the ASX.

ASIC means Australian Securities & Investments Commission.

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

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

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

Bidder's Statement means the bidder's statement by Fitzroy under Part 6.5 Division 2 of the Corporations Act relating to the Offer, dated 21 November 2019.

Board means the board of directors of Royalco.

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

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

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

Independent Board Committee means the board committee constituted by the Board to consider the Offer on behalf of the Company and its Shareholders, consisting of Mr David Croll, Director.

Independent Expert or BDO means BDO Corporate Finance (East Coast) Pty Limited (AFSL 247420).

Independent Expert's Report means the report issued by the Independent Expert in relation to the Offer attached to this Target's Statement.

Market Fall Condition means a defeating condition of the Offer that is triggered if the S&P/ASX All Ordinaries Index closes at a level that is 10% or more below the level of that index at 5.00pm (Sydney time) on 20 November 2019 and remains at or below that level for at least two consecutive Trading Days.

Minimum Acceptance Condition means a defeating condition of the Offer that requires that Fitzroy receives sufficient acceptances of the Offer to increase its Relevant Interest in Royalco Shares by the end of the Offer Period to or above 90% of the Royalco Shares then on issue.

Noontide Investments means Noontide Investments Limited and Noontide Capital Pty Limited.

Offer or **Fitzroy's Offer** means the offer made by Fitzroy to acquire all of the Shares it does not own at 24 cents cash per Share, as set out in the Bidder's Statement, and as varied in accordance with the Corporations Act.

Offer Consideration means the Offer Price multiplied by the number of Shares acquired by Fitzroy under the Offer.

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

Offer Price means 24 cents cash per Share under the Offer.

Prescribed Occurrences means the events referred to in Section 652C(1) and (2) of the Corporations Act.

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

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

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

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

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

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

Weeks Royalty means the royalty asset of Royalco described in Section 5.2(a).

8.2 Interpretation

In this Target's Statement:

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

9. AUTHORISATION

This Target's Statement has been approved by a resolution of the Board of Directors of Royalco.

Signed for and on behalf of Royalco Resources Limited

A handwritten signature in black ink, appearing to be 'DM' or similar, written in a cursive style.

David Croll

Director and sole member of the Independent Board Committee

10. INDEPENDENT EXPERT'S REPORT

Attached.



INDEPENDENT EXPERT'S REPORT

Royalco Resources Limited

Fitzroy River Corporation Limited's Offer to
acquire Royalco Resources Limited shares

12 December 2019



FINANCIAL SERVICES GUIDE

This Financial Services Guide (“FSG”) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (“BDO, we, us, our”).

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$35,000 (excluding GST) for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its Independent Directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of FOS (Member Number 11843).

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 639

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au.

The Independent Board Committee
Royalco Resources Limited
Suite 6.02, Level 6
28 O'Connell Street
SYDNEY NSW 2000

12 December 2019

Dear Independent Board Committee

FITZROY RIVER CORPORATION LIMITED'S OFFER TO ACQUIRE ROYALCO RESOURCES LIMITED SHARES

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("**BDO**", "**we**", "**us**" or "**our**") has been engaged by the Independent Board Committee ("**Independent Board Committee**") of Royalco Resourced Limited ("**Royalco**" or "**the Company**") to prepare an independent expert's report ("**Report**" or "**IER**"), to the Royalco Shareholders ("**Shareholders**") in relation to the off-market takeover bid made by Fitzroy River Corporation Limited ("**Fitzroy**") for all of the ordinary shares in Royalco it does not own ("**Takeover Offer**").

The consideration offered by Fitzroy for each Royalco share is \$0.24.

A more detailed summary of the Takeover Offer is set out in Section 1.2 of this Report.

In this Report, BDO has expressed an opinion as to whether the Takeover Offer is 'fair and reasonable' to the Shareholders.

This Report has been prepared solely for use by the Shareholders to provide them with information relating to the Takeover Offer. The purpose and scope of this Report are detailed in Sections 1.1 and 2.1 respectively.

This Report, should be read in full along with all other documentation provided to the Shareholders, including the Bidder's Statement dated 21 November 2019 prepared by Fitzroy ("**Bidder's Statement**") and the Target's Statement dated on or around 12 December 2019 prepared by Royalco ("**Target's Statement**").

All dollar amounts are in Australian dollars ("**A\$**" or "**AUD**") unless otherwise indicated.

PURPOSE OF REPORT

Section 640 ("**Section 640**") of the Corporations Act 2001 ("**the Corporations Act**") requires an expert opinion to be provided for inclusion within the target's statement where the bidder is connected with the target company. Specifically, Section 640 requires an expert's report if:

- the bidder's voting power in the target is 30% or more; or
- for a bidder who is, or includes, an individual--the bidder is a director of the target; or
- for a bidder who is, or includes, a body corporate--a director of the bidder is a director of the target.

Fitzroy's voting power in Royalco at the time of the Takeover Offer is 47.76%. Royalco and Fitzroy also has common Directors. Consequently, this Report has been prepared in accordance with the requirements of Section 640 outlined above for inclusion in Royalco's target statement ("**Target Statement**") to be provided to Shareholders to assist in their considerations of whether or not to accept the Takeover Offer.

This IER provides an opinion as to whether the Takeover Offer is fair and reasonable to Shareholders, in the absence of a superior Takeover Offer.

APPROACH

In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 111 Content of expert reports (“RG 111”); and
- ASIC Regulatory Guide 112 Independence of experts (“RG 112”).

RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

Fairness

RG 111.11 indicates that an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

Based on our interpretation of RG111.11, we have compared the fair market value (“FMV”) of a Royalco Share pre-announcement on a control basis (being the value of the securities the subject of the offer, per RG 111.11) to the consideration under the Takeover Offer.

Reasonableness

In accordance with paragraph 60 of RG 111, an offer is ‘reasonable’ if it is ‘fair’. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes there are sufficient reasons to accept the offer.

When deciding whether an offer is ‘reasonable’, factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity’s bargaining position;
- whether there is selective treatment of any shareholder; and
- any special value of the transaction to the purchaser.

SUMMARY OF OPINION

We have concluded that the Takeover Offer is fair and reasonable to Shareholders in the absence of a superior offer, at the time of writing this Report.

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

In undertaking our assessment of fairness, we have had regard to the ASIC RG 111.

The Takeover Offer will be fair if the consideration offered is equal to or greater than the Fair Market Value (“FMV”) of a Royalco Share prior to announcement of the Takeover Offer, on a controlling interest basis.

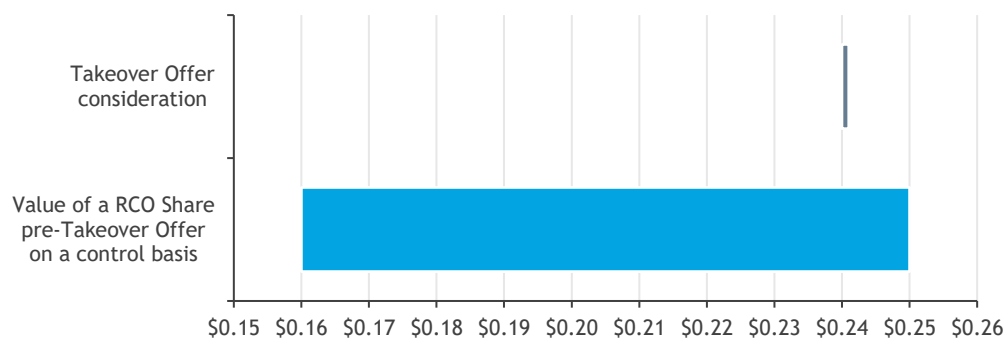
We have assessed the FMV of a Royalco Share, on a control basis, prior to the Takeover Offer using the Net Asset Value (“NAV”) and Quoted Market Price (“QMP”) methods.

Table 1: Valuation summary

Fairness assessment	Low \$	High \$
Value of a Royalco Share pre-Takeover Offer on a control basis	0.16	0.25
Takeover Offer consideration	0.24	0.24

Source: BDO analysis

Figure 1: Graphical summary of fairness assessment



Source: BDO analysis

Based on the above, the value of the Takeover Offer is within the range of the value of a Royalco Share prior to the announcement of the Takeover Offer (on a control basis). As such, the Takeover Offer is fair for Royalco Shareholders.

Reasonableness conclusion

In accordance with RG 111, an offer is reasonable if it is fair. On this basis, the Takeover Offer is reasonable to Royalco Shareholders.

We have set out below a summary of reasonableness factors we consider relevant in assisting the Royalco Shareholders in deciding whether or not to accept the Takeover Offer.

Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
The Takeover Offer is fair	Our analysis concludes that the Takeover Offer is fair to Shareholders. RG 111 states that an offer is reasonable if it is fair.
Premium to the share trading price	The Takeover Offer represents a premium of 26.3% to Royalco's closing share price on 12 November 2019 and a premium of 20.0% to the daily VWAP for the month preceeding 12 November 2019, allowing shareholders to realise value for their shares in excess of the price at which they were trading before the period that the Takeover Offer is announced. This level of premium may not be available to Shareholders in the absence of the Takeover Offer.
Certainty of cash	The Takeover Offer represents an opportunity for Shareholders to receive certain value for their investment in Royalco free of any realisation costs at a significant premium that may not be available in the absence of the Takeover Offer (or alternative offers).
Access to liquidity	Historically Royalco has been thinly traded and offers very low liquidity as evident by the 0.2% volume of issued capital traded over the 12 months preceeding 12 November 2019. The Takeover Offer provides Shareholders with a liquidity event in converting their Royalco shares to cash.
Opportunity to reinvest in similar investment opportunities	If the Takeover Offer is accepted and successful, Shareholders will be able to reinvest the cash proceeds in similar investment opportunities.
Offer price exceeds value in use	Currently Royalco incurs administration costs of c\$600k, leaving a cash operating margin of c\$200k. If we were to value Royalco in its current form including the administration costs, the value of Royalco shares would be significantly lower than the NTA and QMP values at Sections 5.1 and 5.2 of this Report. In order to increase the value of a Royalco share in its current form, Royalco would need to increase revenue from either the Week's royalty or the other five royalties over undeveloped assets would need to increase. Both of these events are uncertain.
Disadvantages	
Tax consequences for Shareholders	<p>The Ordinary Shareholder may be liable for capital gains tax on the disposal of their shares. The capital gain is calculated as the value of the capital return less the shareholder's cost base of the Royalco share.</p> <p>Shareholders should seek independent income tax advice in relation to the tax consequences of the Takeover Offer.</p>
No exposure to potential upside in Royalco	If the Takeover Offer is accepted and successful, the Shareholders will no longer benefit from any potential future profits and capital growth. Conversely, Shareholders will not be exposed to any potential future decline in Royalco's share price.

Table 3: Other considerations

Other considerations	
Independent Board Committee recommendation	The Independent Board Committee has recommended that Royalco Shareholders accept the Takeover Offer, in the absence of a superior proposal.

OTHER MATTERS

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDO has not considered the effect of the Takeover Offer on the particular circumstances of individual Royalco Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Takeover Offer from that adopted in this IER. Accordingly, individual Royalco Shareholders may reach different conclusions as to whether or not the Takeover Offer is fair and reasonable and in their best interests in their individual circumstances.

The decision of an individual Royalco Shareholder in relation to the Takeover Offer may be influenced by their particular circumstances and accordingly Royalco Shareholders are advised to seek their own independent advice.

Approval or rejection of the Takeover Offer is a matter for individual Royalco Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Royalco Shareholders should carefully consider the Takeover Offer. Royalco Shareholders who are in doubt as to the action they should take in relation to the Takeover Offer should consult their professional adviser. Capitalised terms used in this Report have the meanings set out in the glossary.

General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Takeover Offer. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDO and any of the parties to the Takeover Offer;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- we have been appointed as independent expert for the purposes of providing an IER in relation to the Takeover Offer for the Independent Board Committee;
- that we have relied on information provided by the Independent Board Committee and directors of Royalco and that we have not carried out any form of audit or independent verification of the information; and
- that we have received representations from the Independent Board Committee in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the valuation date that subsequently becomes known to us.

Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out Appendix 3.

Sources of information

Appendix 1 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Royalco.

Under the terms of our engagement, Royalco agreed to indemnify the partners, Independent Directors and staff (as appropriate) of BDO East Coast Partnership and BDO and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Royalco which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the Independent Board Committee for the sole benefit of the Independent Board Committee and Royalco Shareholders to assist them in their decision to approve or reject the Takeover Offer. This IER is to accompany the Target's Statement to be sent to Royalco Shareholders to consider the Takeover Offer and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Independent Board Committee and Royalco Shareholders without our written consent. We accept no responsibility to any person other than the Independent Board Committee and Royalco Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER with the Target's Statement. Apart from this IER, we are not responsible for the contents of the Target's Statement or any other document associated with the Takeover Offer. We acknowledge that this IER may be lodged with regulatory authorities, including ASIC.

Summary

This summary should be read in conjunction with the attached IER that sets out in full, the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Financial Service Guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

A stylized, handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a cursive-like shape.

David McCourt
Director

A handwritten signature in black ink, featuring a series of loops and a long, horizontal stroke at the end.

Sebastian Stevens
Director

TABLE OF CONTENTS

1.	PURPOSE AND BACKGROUND	1
1.1.	Purpose	1
1.2.	Takeover Offer	1
1.3.	Conditions precedent	1
2.	SCOPE AND LIMITATIONS	2
2.1.	Scope	2
2.2.	Summary of regulatory requirements	2
2.3.	Basis of assessment	2
2.4.	Special value	4
2.5.	Reliance on information	4
2.6.	Limitations	4
2.7.	Assumptions	5
3.	PROFILE OF Royalco	6
3.1.	Overview	6
3.2.	Historical Financial Information	8
3.3.	Capital structure	11
3.4.	Ownership	11
3.5.	Historical share trading analysis	12
4.	FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY	14
4.1.	Fairness assessment overview	14
4.2.	Valuation methods	14
4.3.	Selected valuation method for Royalco	14
4.4.	Other valuation considerations	15
5.	VALUATION OF Royalco	17
5.1.	FMV of Royalco - NAV method	17
5.2.	FMV of Royalco - QMP method	18
5.3.	Conclusion as to the FMV of a Royalco share	19
6.	ASSESSMENT OF FAIRNESS	20
6.1.	Fairness assessment	20
7.	ASSESSMENT OF REASONABLENESS	21
7.1.	Advantages	21
7.2.	Disadvantages	21
7.3.	Other considerations	22
7.4.	Conclusion on reasonableness	22

8.	QUALIFICATIONS, DECLARATIONS AND CONSENTS.....	23
8.1.	Qualifications	23
8.2.	Independence	23
8.3.	Disclaimer	23
9.	APPENDICES.....	24

1. PURPOSE AND BACKGROUND

1.1. Purpose

We have been appointed by the Independent Board Committee to prepare an IER setting out our opinion as to whether the Takeover Offer is fair and reasonable to Royalco Shareholders, in the absence of a superior proposal.

This IER is to accompany the Target's Statement to be provided to Royalco Shareholders. It has been prepared to assist and enable Royalco Shareholders to assess the Takeover Offer and to decide whether to accept the Takeover Offer.

A summary of the background to the terms of the Takeover Offer is set out below.

1.2. Takeover Offer

On 14 November 2019, Fitzroy announced its intentions to make an off-market Takeover Offer to acquire all the ordinary shares in Royalco it does not own.

The offer is \$0.24 cash for each Royalco share not currently owned by Fitzroy and values 100% of Royalco at approximately \$12.65 million.

1.3. Conditions precedent

The Takeover Offer is subject to the following conditions precedents including, but not limited to:

- minimum acceptance condition by Royalco Shareholders of 90%;
- a market fall condition - Royalco can withdraw the offer if the S&P/ASX All Ordinaries Index closes at a level that is 10% or more below the level of the Index on the transaction day immediately prior to the date of the Bidder's Statement and remains at or below that level for at least two consecutive trading days; and
- no prescribed occurrences occurring during the offer period. These include:
 - the shares of Royalco or any of the controlled entities of Royalco are converted into a larger or smaller number of shares;
 - Royalco or a subsidiary of Royalco resolves to reduce its share capital in any way;
 - Royalco or a subsidiary of Royalco enters into a buy-back agreement or approves the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act
 - Royalco or a subsidiary of Royalco makes an issue of or grants an option to subscribe for any of its securities or agrees to make such an issue or grant such an option;
 - Royalco or a subsidiary of Royalco issues or agrees to issue convertible notes;
 - Royalco or a subsidiary of Royalco disposes or agrees to dispose of the whole or a substantial part of its business or property;
 - Royalco or a subsidiary of Royalco grants or agrees to grant an encumbrance over the whole or a substantial part of its business or property; or
 - An insolvency event occurs with respect to Royalco or a subsidiary of Royalco.

Further details of the conditions precedent are disclosed in Section 9.7 of the Bidder's Statement.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Takeover Offer is fair and reasonable to Royalco Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the FMV of various securities, assets and liabilities. For the purposes of our opinion, the term FMV is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

2.2. Summary of regulatory requirements

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the the Corporations Act, The Corporations Regulations 2001 ("the Regulations"), the regulatory guidelines ("RGs") published by the Australian Securities and Investments Commission ("ASIC") and in some cases the listing requirements of the relevant exchanges. These requirements have been set out below.

Section 640 of the Corporations Act requires an independent experts report to accompany the Target's Statement if:

- The bidder's voting power in the target is 30% or more; or
- for a bidder who is, or includes, an individual--the bidder is a director of the target; or
- for a bidder who is, or includes, a body corporate--a director of the bidder is a director of the target.

Fitzroy's voting power in Royalco at the time of the Takeover Offer was 47.76%. Royalco and Fitzroy also has common Directors. Consequently, this Report has been prepared in accordance with the requirements of Section 640 outlined above for inclusion in Royalco's Target Statement to be provided to Shareholders to assist in their considerations of whether or not to accept the Takeover Offer.

2.3. Basis of assessment

In determining whether the Takeover Offer is fair and reasonable to Royalco Shareholders we have had regard to:

- RG 111 'Content of expert reports'
- RG 112 'Independence of experts'

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Takeover Offer is a control transaction as defined by RG 111 and we have therefore assessed the Takeover Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

2.3.1. Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.

The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Takeover Offer will be fair if the consideration offered is equal to or greater than the FMV of a Royalco Share prior to announcement of the Takeover Offer, on a controlling interest basis.

2.3.2. Reasonableness

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

2.3.3. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Takeover Offer. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDO and any of the parties to the Takeover Offer;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- we have been appointed as independent expert for the purposes of providing an IER for the Target's Statement;
- that we have relied on information provided by the Independent Board Committee and directors of Royalco and that we have not carried out any form of audit or independent verification of the information provided; and
- that we have received representations from the Independent Board Committee in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the FMV. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of FMV as it relates to the individual circumstances of special purchasers.

2.5. Reliance on information

This IER is based upon financial and other information provided by the Independent Board Committee, directors and other representatives of Royalco. We have also been provided with information directly by representatives of Royalco. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Takeover Offer is fair and reasonable to Royalco Shareholders in the absence of a superior proposal.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of the directors of Royalco the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Royalco has agreed to indemnify BDO and BDO East Coast Partnership, and their partners, Independent Directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by Royalco with regulatory and statutory bodies and will be included in the Target’s Statement to be sent to the Royalco Shareholders. The Independent Board Committee acknowledges that our IER has been prepared solely for the purposes noted in the Target’s Statement and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of Royalco. We understand that the Independent Board Committee have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Independent Board Committee or their advisors.

We note that the IER does not deal with the individual investment circumstances of Royalco Shareholders and no opinion has been provided in relation to same. Some individual Royalco Shareholders may place a different emphasis on various aspects of the Takeover Offer from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Takeover Offer is fair and reasonable and in their best interests. An individual Royalco Shareholder’s decision in relation to the Takeover Offer may be influenced by their particular circumstances and, therefore, Royalco Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Target's Statement or any other document. We have provided consent for inclusion of the IER in the Target's Statement. Our consent and the Target's Statement acknowledge that we have not been involved with the issue of the Target's Statement and that we accept no responsibility for the Target's Statement apart from the IER.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- assumptions outlined in the valuation sections;
- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- information sent out in relation to the Takeover Offer to Royalco Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by us is accurate, complete and not misleading;
- if the Takeover Offer is implemented, that it will be implemented in accordance with the stated terms;
- the legal mechanisms to implement the Takeover Offer are correct and effective; and
- there are no undue changes to the terms and conditions of the Takeover Offer or material issues unknown to us.

3. PROFILE OF ROYALCO

3.1. Overview

Royalco manages the receipt of cash flows on the resource based royalty interests that it holds as well as undertaking exploration initiatives from time-to-time. Royalco currently holds a portfolio of six royalty agreements with interests in Australia (Victoria, New South Wales, South Australia and Queensland), New Zealand and the Philippines across a range of commodities.

Details of the royalties held are as follows:

a) Weeks Petroleum (1% of 2.5% overriding royalty interest held by Royalco)

This is a 2.5% overriding royalty on the gross value of all hydrocarbons produced by the ExxonMobil/BHP joint venture (including its successors and assigns) within a prescribed area in the Gippsland Basin. The area of interest is PEP 38 located in offshore Victoria in the Gippsland Basin.

The Weeks Petroleum royalty is currently the only asset generating a material source of income for Royalco.

Over the course of FY18 and FY19, Royalco's royalty interest in the Weeks Petroleum asset undertook an extensive sales process with a number of interested bidders courted for the potential acquisition (see Section 5.1)

b) Reefton-Blackwater (1-3% overriding royalty interest held by Royalco)

Reefton-Blackwater is a gold resources tenement held by OceanaGold Corporation (ASX:OGC). Royalco has been notified that an investor party, Tasman Mining will undertake an exploration program over the course of 3 to 5 years to support the mining process by converting the current mineral resource to the indicated Joint Ore Reserves Committee code category.

Royalty income was generated up until 2014 however, the Independent Board Committee do not believe a material source of income will be generated in the short-to-medium term for this asset.

c) Sam's Creek (1% overriding royalty interest held by Royalco)

The Sam's Creek tenement is a substantial undeveloped gold project with +1 million ounce porphyry hosted gold resource. This tenement is held by MOD Resources who in October 2019 was taken over by Sandfire Resources NL (ASX:SFR).

The Sam's Creek project was noted as a low priority item for MOD Resources. As a result, the Independent Board Committee do not foresee a material source of royalty income to be generated from this asset in the short-to-medium term. Royalco has noted that there is no supportable evidence for this asset to be classed as held-for-sale and it has been fully impaired.

d) Mt Garnet (3% net smelter return royalty interest held by Royalco)

Royalco retains a royalty interest in the Mt Garnet Project in Northern Queensland. The operators, Snow Peak Mining Pty Ltd and Consolidated Tin Mines Limited, were placed in voluntary administration on 10 July 2016.

Royalco has limited information on this asset other than it is currently held by Consolidated Minerals Limited. The Independent Board Committee do not believe a material source of income will be generated in the short-to-medium term for this asset.

e) Bowdens (1-2% net smelter return royalty interest held by Royalco)

Royalco retains a sliding scale royalty over the Bowdens Silver Project (EL 5920) tenement operated by Silver Mines Limited (ASX:SVL). Royalco acquired this royalty in 2002. This is a 2% net smelter return until US\$5 million has been received, after which Royalco can expect a 1% net smelter return.

FY19 activity at the Bowdens mine was limited to planning and geological analysis. Further pre feasibility is continuing on this project. The Independent Board Committee do not believe a material source of income will be generated in the short-to-medium term for this asset.

f) LFB (Molong) (3% net smelter return royalty interest held by Royalco)

Royalco has limited information on this asset other than it is currently held by Regis Resources (ASX:RRL) and is interested in the Northern portion of EL 7878, Regis' Molong tenement. The Independent Board Committee do not believe a material source of income will be generated in the short-to-medium term for this asset.

Table 3: Table of royalties

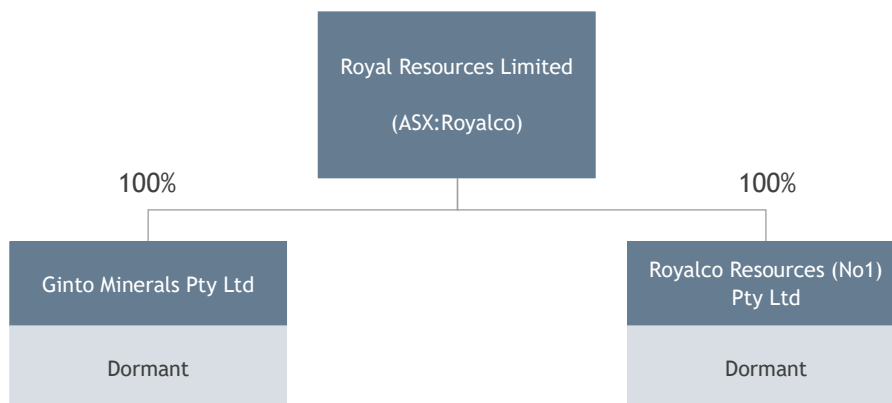
Project	Operator	Royalty	Commodity
Weeks Petroleum	ExxonMobil/Gippsland Basin JV	1% of 2.5% ORR	Hydrocarbons
Reefton-Blackwater	Oceana Gold Limited (ASX:OGC)	1-3% ORR	Gold
Sam's Creek	MOD Resources Limited (ASX:MOD)	1% ORR	Gold
Mt Garnet	Consolidated Tin Mines Limited (ASX:CSD)	3% NSR	Zinc, lead, silver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

ORR: Overriding Royalty

NSR: Net Smelter Return

Royalco was established in 2001 and operates out of Sydney, Australia and was admitted to the ASX in June 2006. Royalco has two wholly owned subsidiaries both of which are dormant.

Figure 2: Royalco Group



The current board of Directors of Royalco are:

- Susan Thomas - Non-Executive Chair (Director of Fitzroy);
- Malcolm McComas - Non-Executive Director (Director of Fitzroy); and
- David Croll - Non-Executive Director.

3.2. Historical Financial Information

This sections sets out the historical financial information of Royalco. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in the annual reports, including the full statements of profit and loss and other comprehensive income, statements of financial position and statements of cash flows.

3.2.1. Historical statement of profit or loss and other comprehensive income

The audited income statements for the financial years ended 30 June 2018 (“FY18”) and 30 June 2019 (“FY19”) are set out below.

Table 4: Historical statement of profit or loss and other comprehensive income

\$'000	FY18	FY19
Revenue		
Royalty income	738	727
Interest revenue	37	40
Other income	30	39
Total revenue	804	806
Expenses		
Employee benefits expense	(159)	-
Professional and consultancy fees	(219)	(254)
Director and company secreterial fees	(160)	(150)
Impairment of royalty assets	(24)	-
Amortisation of royalty rights	(425)	(425)
Rent expense	(143)	(88)
Other expenses	(97)	(138)
Loss before income tax	(422)	(248)
Income tax expense	-	-
Loss after income tax expense for the year	(422)	(248)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	(422)	(248)

Source: Audited financial statements of Royalco for FY18 and FY19

We note the following regarding Royalco’s historical statements of profit or loss and other comprehensive income:

- Royalty revenue is earned through royalty agreements that are based on production, sales and other measures.
- Employee benefits expense has decreased from \$159k in FY18 to nil in FY19 following the termination of Mr P Topham’s employment contract on 8 September 2017.
- The Directors of Royalco make an assessment of the recoverable amounts of all royalties held at each year end. In FY17, the Directors of Royalco recognised a \$24k impairment charge against all other royalties excluding Weeks Petroleum.

3.2.2. Historical statement of financial position

The audited statements of financial position of Royalco as at 30 June 2018 and 30 June 2019 are set out below.

Table 5: Historical statement of financial position

\$'000	Audited as at Jun-18	Audited as at Jun-19
Current assets		
Cash and cash equivalents	2,164	2,364
Trade and other receivables	255	249
Other	33	40
Total current assets	2,452	2,652
Non-current assets		
Intangible assets	6,304	5,879
Other	5	-
Total non-current assets	6,310	5,879
Total assets	8,761	8,531
Current liabilities		
Trade and other payables	33	105
Provisions	46	13
Total current liabilities	80	119
Non-current liabilities		
Payables	8	-
Provisions	12	-
Total non-current liabilities	20	-
Total liabilities	100	119
Net assets	8,661	8,413
Equity		
Issued capital	12,322	12,322
Accumulated losses	(3,660)	(3,909)
Total equity	8,661	8,413

Source: Audited financial statements of Royalco for FY18 and FY19

We note that the Intangible assets relate to the six royalty assets held (see Section 3.1). The carrying value of the royalty assets are recognised at cost and amortised over 20 years. The Directors of Royalco assess royalties for impairment annually.

3.2.3. Historical statement of cash flows

The audited statements of cash flows of Royalco for FY18 and FY19 are set out below.

Table 6: Historical statement of cash flows

\$'000	FY18	FY19
Cash flow from operating activities		
Royalties received	674	734
Interest received	40	40
Other revenue	20	37
Payments to suppliers and employees (incl. GST)	(1,155)	(612)
Net cash (used in)/from operating activities	(420)	199
Cash flows from investing activities		
Net cash from investing activities	-	-
Cash flows from financing activities		
Net cash used in financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(420)	199
Cash and cash equivalents at the beginning of financial year	2,585	2,164
Cash and cash equivalents at the end of financial year	2,164	2,364

Source: Audited financial statements of Royalco for FY18 and FY19

We note the following regarding Royalco's historical statements of cash flows:

- Following the termination of Mr P Topham's employment contract on 8 September 2017, payments to suppliers and employees has decreased from \$1.2m in FY18 to \$612k in FY19 resulting in a positive net cash from operating activities in FY19.
- Cash receipts from the Weeks Petroleum royalty is the only material cash flow.
- There was no cash from/(used in) investing and financing activities in FY18 and FY19.

3.3. Capital structure

The share structure of Royalco at 25 November 2019 is outlined below.

Table 7: Royalco's ordinary shares on issue

	Number of securities
Fully Paid Ordinary Shares	52,714,183

Source: Royalco share register as at 25 November 2019

3.4. Ownership

As at 25 November 2019, Royalco had c52.7m fully paid ordinary shares on issue. The top 20 shareholders collectively own 97.2% of the equity interest in Royalco.

The top 20 Royalco Shareholders as at 25 November 2019 are shown below.

Table 8: Royalco top 20 shareholders

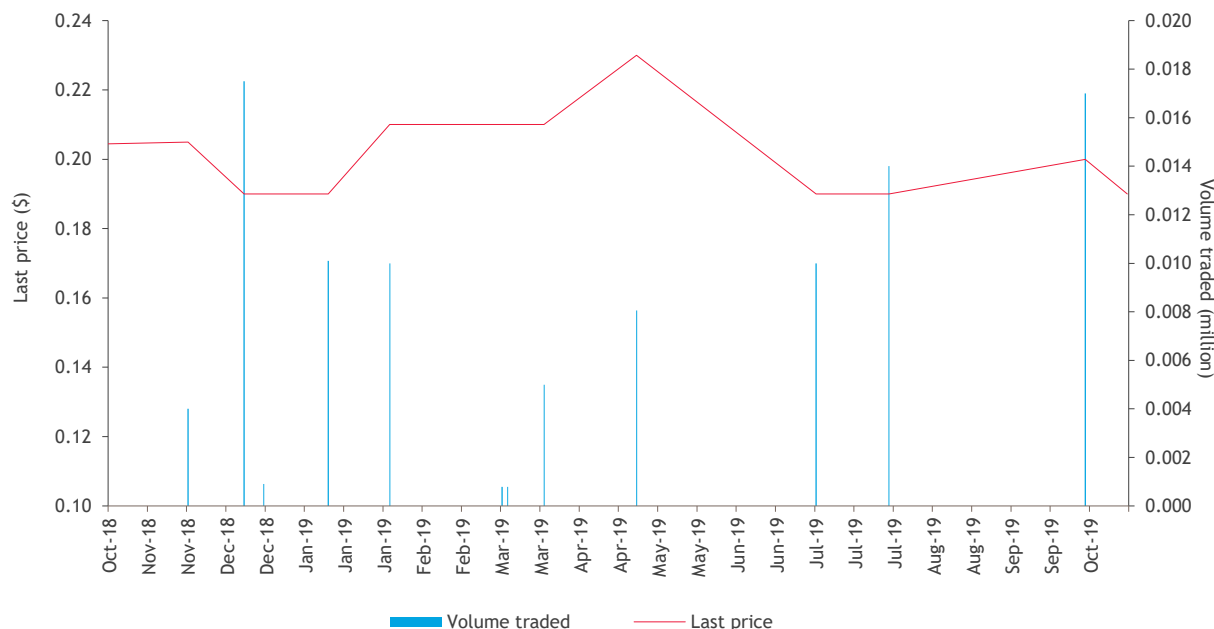
Rank	Shareholder	Current shares	% of total shares
1	Fitzroy RIVER CORP LTD	25,174,923	47.8%
2	J P MORGAN NOM AUST PL	18,614,166	35.3%
3	HIGH PEAK ROYALTIES LTD	5,470,452	10.4%
4	PERSHING AUST NOM PT Y LT	365,000	0.7%
5	H F A ADMINISTRATION PL	201,000	0.4%
6	PATTERSON GRANT + DEBBIE	200,000	0.4%
7	NETWEALTH INV LTD	200,000	0.4%
8	CMC MARKETS STOCKBROKING	160,000	0.3%
9	3KY PL	150,000	0.3%
10	WHITE ANTHONY JUSTIN	100,000	0.2%
11	BROWN IAN + MARION	90,000	0.2%
12	CONDON KEVIN R + J J	81,000	0.2%
13	*NICOL ROBERT E G + M R	75,000	0.1%
14	EAGLE EYE EQUITIES PL	59,000	0.1%
15	GREEN STEVE ANDREW	53,700	0.1%
16	DICKINSON PHILLIP + J	50,000	0.1%
17	YU KENNETH	50,000	0.1%
18	HALLETT-CARPENTER N P + S	50,000	0.1%
19	HALLETT-CARPENTER NEIL	50,000	0.1%
20	SANDS RODNEY EDWARD	50,000	0.1%
Total top 20		1,244,241	97.2%
Other security holders		1,469,942	2.8%
Total securities outstanding		52,714,183	100.0%

Source: Royalco share register as at 25 November 2019

3.5. Historical share trading analysis

Royalco's share price movements for the 12 months to 12 November 2019 are shown below. For the 12 months preceeding 12 November 2019, Royalco was thinly traded with a total of twelve completed trades.

Figure 4: Daily closing share price and trading volume (13 November 2018 to 12 November 2019)



Source: Capital IQ

Table 9: Selected Royalco ASX Announcements from 13 November 2018 to 12 November 2019

Date	Price sensitive	Headline	Closing Share Price following announcement (\$ movement)
14/11/2019	\$	Takeover Offer by Fitzroy River Corporation	0.23
14/11/2019	\$	Fitzroy: Fitzroy Announces Takeover Offer For Royalco Resources	0.23
13/11/2019	\$	Trading Halt	0.23
13/11/2019	\$	Pause in Trading	0.23
28/10/2019	\$	Quarterly Activities and Cashflow Reports	0.19
31/07/2019	\$	Quarterly Cashflow Report	0.19
31/07/2019	\$	Quarterly Activities Report	0.19
1/07/2019	\$	Update on Weeks Sale Process	0.23
29/04/2019	\$	Quarterly Cashflow Report	0.23
29/04/2019	\$	Quarterly Activities Report	0.23
9/04/2019	\$	Fitzroy: Sale of Royalco's Weeks Royalty Interest	0.21
9/04/2019	\$	Agreement Signed for the Sale of Weeks Royalty Interest	0.21
31/01/2019	\$	Quarterly Activities and Cashflow Reports	0.21

Source: ASX Announcements, Capital IQ and BDO analysis

3.5.1. Volume weighted average price

Royalco's volume weighted average price ("VWAP") over the 12-month period preceding 12 November 2019 is set out in the table below.

Table 10: Royalco's VWAP analysis (to 12 November 2019)

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.19	0.21	0.20	0.01	0.03	0.1%
1 week	n/a	n/a	n/a	0.00	0.00	0.0%
1 month	0.19	0.21	0.20	0.01	0.03	0.1%
3 months	0.19	0.21	0.20	0.01	0.05	0.1%
6 months	0.19	0.21	0.20	0.01	0.07	0.1%
12 months	0.19	0.23	0.20	0.03	0.13	0.2%

Source: Capital IQ, BDO analysis

We note the following with respect to the VWAP analysis displayed above:

- The 3 to 12-month VWAP of Royalco was \$0.20 per share.
- The price of Royalco Shares over the 12-month period preceding 12 November 2019 ranged from \$0.19 to \$0.23.
- Over the 12-month period immediately preceding 12 November 2019, the cumulative value of Royalco shares traded was c\$30,000. Royalco is considered to have very low levels of liquidity, with the 12-month volume traded equivalent to 0.2% of total issued capital.

4. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

4.1. Fairness assessment overview

The Takeover Offer is fair if the amount offered by Fitzroy under the Takeover Offer, is equal to or greater than the fair market value of a Royalco share before announcement of the Takeover Offer (on a controlling basis).

Accordingly, we have undertaken an assessment of the value of a Royalco Share before announcement of the Takeover Offer.

The valuation methods commonly used for the above analyses are considered below.

4.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 2. The principal methodologies which can be used are as follows:

- Discount cash flow (“DCF”);
- Capitalisation of future maintainable earnings (“COE”);
- Net asset value (“NAV”); and
- Quoted market price basis (“QMP”).

Set out below is a discussion of the valuation methods we consider appropriate for the purposes of undertaking our fairness assessment.

4.3. Selected valuation method for Royalco

In accordance with RG 111.15, we have considered the FMV of Royalco on the basis of “a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid”. This approach does not take into account the particular circumstances of any specific transaction, and therefore we have not considered whether there is any premium in value attached to the strategic benefits or gains from synergies that may be inherent in an acquisition by a specific party, e.g. an industry competitor or supplier.

As summarised below, we consider the NAV approach to be the most appropriate valuation method for Royalco in relation to the Takeover Offer. We have cross-checked our valuation of Royalco using the QMP method.

Methodology	Appropriate	Explanation
DCF	×	<p>The DCF methodology relies on projections which predict the future cash flows of a company with a reasonable degree of certainty over a sufficiently long period of time.</p> <p>We have not been provided with detailed cash flow projections over a suitable period of time for use in a DCF valuation and do not have access to sufficient information that would enable us to prepare future cash flow projections with the appropriate level of certainty or accuracy at the current time.</p> <p>We are of the view that it is more appropriate to adopt valuation methodologies other than the DCF approach for the purpose of valuing Royalco in this Report.</p>
COE Valuation	×	<p>Royalco administration costs are a significant percentage of Royalco’s revenue. As a result a COE valuation would under value Royalco’s equity.</p> <p>We are of the view that there are more appropriate valuation methodologies than the COE valuation methodology which can be adopted for the purpose of valuing Royalco in this Report.</p>
Asset Based Valuation (NAV method)	✓	<p>Asset based methods determine the value of a business by identifying assets or components of the business which could be sold, ascribing a value to each component and then off-setting from these the value of any liabilities. Given that we have sufficient information to reliably determine the value of the assets and liabilities of Royalco, we consider the NAV method to be appropriate in the valuation of a Royalco share.</p>
QMP Valuation	✓	<p>The QMP method represents the value that a Royalco Shareholder can receive for a share if sold on the market.</p> <p>The QMP basis is a relevant methodology to consider because Royalco shares are listed on the ASX and this reflects the value that a Royalco Shareholder will receive for a share sold on market. We note that Royalco is very thinly traded.</p>

4.4. Other valuation considerations

4.4.1. Future events

The business of Royalco that we have considered is that which existed as at the date of this Report. Growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of our assessment.

4.4.2. Synergies

The level of synergies that can be derived from a takeover or merger is dependent on the nature of the respective businesses and their geographical and operational overlap.

In relation to the Takeover Offer, potential synergies may be available across a range of areas, including a reduction in the management expense ratio as a result of the removal of duplicated expenses between the two companies as well as a larger pool of assets to spread the expenses across.

We have not considered special value in forming our opinion. Accordingly, we have not attributed any value to the potential synergies listed above in our valuation approach beyond those generally observed in the market. These synergies have been reflected in the value of Royalco prior to the Takeover Offer via the inclusion of a premium for control.

4.4.3. Premium for control

Investment fundamentals dictate that the value of 100% of an entity is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings.

The difference between the value of 100% of a company and the total value of minority share holdings is referred to as a “premium for control” taking into account control and synergistic benefits for the acquirer.

Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company’s policies and strategies, and use of cash flows of the company.

A premium for control is applicable when an acquisition would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Therefore, a transaction premium would typically include a premium for control as well as potential buyer specific synergies.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired. In arriving at an appropriate premium for control to apply, we note that buyers would generally assess the following considerations:

- level of liquidity in the trade of the target’s securities;
- synergistic value;
- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited; and
- ability to integrate the target into the acquirer’s business.

An acquirer of the Company could potentially reduce corporate overheads and realise synergies through the integration into their business while, at the same time incurring one-off integration expenses.

In our assessment of an appropriate control premium for Royalco, we consider the general Australian market consensus of control premiums which are in the range of 20% to 25%.



This control premium range excludes buyer specific synergies that market participants could not generally realise.

4.4.4. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

5. VALUATION OF ROYALCO

See below for the valuation assessment of Royalco based upon the following valuation methods:

- FMV of Royalco using the NAV method; and
- QMP method.

5.1. FMV of Royalco - NAV method

We have assessed the FMV of Royalco on a control basis prior to the Takeover Offer. Adjustments to NAV are listed in the notes. The resulting value represents 100% of the equity value of Royalco.

Table 12: NAV

\$'000	Note	Audited as at Jun-19	Pro-forma as at Jun-19
Current assets			
Cash and cash equivalents		2,364	2,364
Trade and other receivables		249	249
Other		40	40
Total current assets		2,652	2,652
Non-current assets			
Intangible assets	1	5,879	6,120
Other		-	-
Total non-current assets		5,879	6,120
Total assets		8,531	8,772
Current liabilities			
Trade and other payables		105	105
Employee benefits		-	-
Provisions		13	13
Total current liabilities		119	119
Non-current liabilities			
Payables		-	-
Provisions		-	-
Total non-current liabilities		-	-
Total liabilities		119	119
Net assets		8,413	8,654
Outstanding shares (#)			52,714,183
Value per share (\$)			0.16

Source: Audited financial statements of Royalco for FY19 and BDO analysis

Notes:

1. Intangible assets

Royalco has accounted for their royalties at cost less amortisation. We have determined the fair market value of the royalties as set out below.

Weeks Petroleum royalty

On 9 April 2019, Royalco announced that it has entered into a sale agreement with Royal Energy Pty Ltd ("Royal Energy"). Royal Energy has proposed to purchase Royalco's 1% interest in the Weeks Petroleum royalty for a cash price of \$5.8m subject to:

- Royal Energy sourcing funding for the acquisition; and
- Royalco shareholder approval approving the sale.

As announced on 1 July 2019, Royal Energy was unable to satisfy the funding condition for this acquisition, effectively terminating the sales agreement.

Despite the funding conditions not being met, the \$5.8m is representative of the fair market value a knowledgeable and willing, but not anxious buyer is ready to transact on.

Royalco undertook an extensive sales process prior to entering into the agreement with Royal Energy. This sales process included the identification of potential buyers, assembly and management of a dataroom,

preparation of sales documents and negotiation assistance. We are aware that expressions of interest for the Weeks Petroleum royalty asset ranged between \$5.5m and \$6m.

Other royalties

The other royalties were acquired as part of a portfolio of royalties from Rio Tinto in 2002. The total cost of the portfolio of royalties was c\$320k. The royalties are over assets that are not producing and require significant capital expenditure. In the absence of no further information made available, the highly speculative nature of these royalties and the early stage nature of these tenements, we have adopted the historical cost value to represent the current fair market value. The Directors of Royalco do not believe that these assets will generate a material source of income in the short-to-medium term as a result no further value above cost can be attributed to these assets.

Based on the latest available balance sheet at 30 June 2019, the implied NAV as per the above is \$8.7m. This translates to a value per share of \$0.16.

Table 13: Royalty summary

\$'000	Jun-19
Weeks Petroleum	5,800
Other royalties	320
Total royalties cost	6,120

Source: BDO analysis

5.2. FMV of Royalco - QMP method

Our second adopted valuation approach to Royalco is the quoted market price for a Royalco share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology, there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant and unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active'. However, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

Our analysis of the quoted market price of a Royalco share is based on pricing up to 12 November 2019. This is because the value of a Royalco share after the announcement may include the effects of any change in value as a result of the Takeover Offer itself.

Information on the Takeover Offer was announced to the market on 14 November 2019, and Royalco was in a trading halt on 13 November 2019. Therefore, we have assessed the share price of Royalco up to 12 November 2019, being the trading day prior to the trading halt. We conclude for the twelve months preceeding 12 November 2019, Royalco exhibited a very low level of liquidity of trade (see Section 3.5.1).

Table 14: Share price analysis

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.19	0.21	0.20	0.01	0.03	0.1%
1 week	n/a	n/a	n/a	0.00	0.00	0.0%
1 month	0.19	0.21	0.20	0.01	0.03	0.1%
3 months	0.19	0.21	0.20	0.01	0.05	0.1%
6 months	0.19	0.21	0.20	0.01	0.07	0.1%
12 months	0.19	0.23	0.20	0.03	0.13	0.2%

Source: Capital IQ and BDO analysis

We have calculated Royalco's VWAP over various periods preceding the Takeover Offer date, and included a control premium range of 20% to 25%. (Refer to section 4.4.3)

Table 15: QMP approach

	Low value	High value
Price range (\$)	0.20	0.20
Control premium	20%	25%
Value of Royalco based on QMP	0.24	0.25

Source: Capital IQ and BDO analysis

Overall, we consider a value of \$0.24 and \$0.25 on a control basis under the QMP method to be an appropriate cross-check value for a Royalco share. Under the QMP method, the implied value of the royalties held are in the value range of \$10.1m to \$10.6m. This is significantly more than the value in the NAV valuation of \$6.1m.

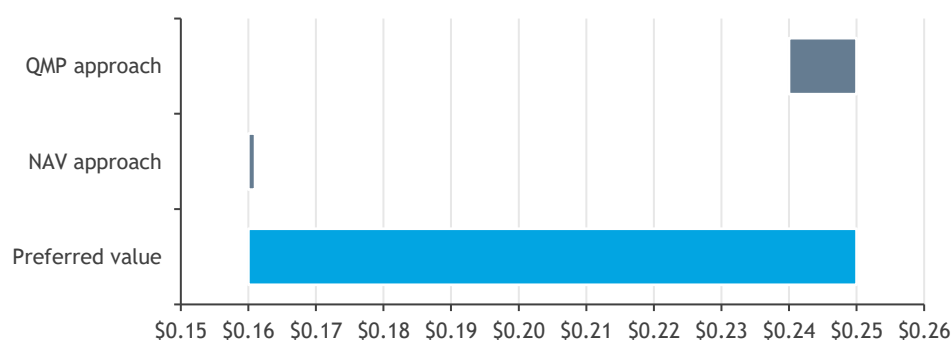
5.3. Conclusion as to the FMV of a Royalco share

	Low	Mid	High
NAV	0.16	0.16	0.16
QMP	0.24	0.245	0.25
Preferred value	0.16	0.21	0.25

Source: BDO analysis

A summary of our valuation is set out below.

Figure 5: Royalco FMV Summary



Source: BDO analysis

We consider our preferred value range of \$0.16 to \$0.25 to be appropriate for Royalco, on a control basis, prior to the announcement of the Takeover Offer.

6. ASSESSMENT OF FAIRNESS

6.1. Fairness assessment

In undertaking our fairness opinion, we have had regard to ASIC RG 111.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.
- In relation to the interpretation of RG111.11, ASIC has advised that the appropriate assessment is to compare:
 - The fair market value of a share pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG 111.11); and
 - The fair market value of the offer price (Takeover Offer)

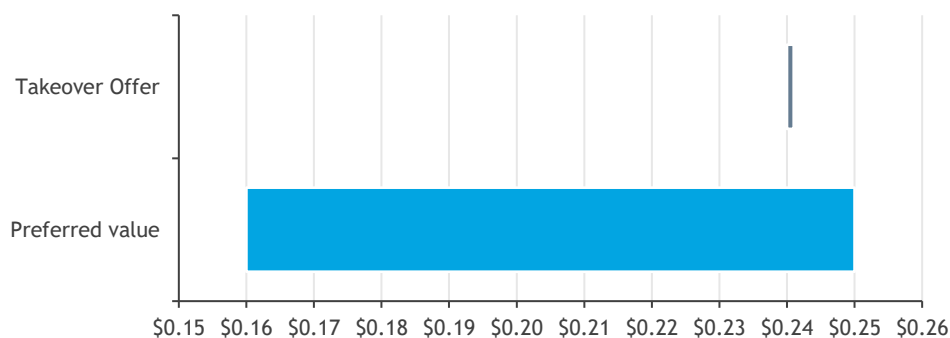
The Takeover Offer will be fair if the Takeover Offer is equal to or greater than the FMV of a Royalco share prior to announcement of the Takeover Offer, on a controlling interest basis. The result of our fairness analysis is summarised below.

Table 16: Summary of fairness

	Low	High
Preferred value	0.16	0.25
Takeover Offer	0.24	0.24
<i>Premium / (discount) to adopted value</i>	<i>50.0%</i>	<i>(4.0%)</i>

Source: BDO analysis

Figure 6: Graphical summary of fairness assessment



Source: BDO analysis

Based on the above, the value of the Takeover Offer exceeds the value of a Royalco share prior to the announcement of the Takeover Offer. As such, the Takeover Offer is fair for Royalco Shareholders.

7. ASSESSMENT OF REASONABLENESS

In accordance with RG 111, an offer is reasonable if it is fair. On this basis, the Takeover Offer is reasonable to Royalco Shareholders.

Nevertheless, we have set out below a summary of other factors we consider relevant in assisting the Royalco Shareholders in deciding whether or not to accept the Takeover Offer.

7.1. Advantages

7.1.1. The Takeover Offer is fair

Our analysis in Section 6 concludes that the Takeover Offer is fair to Shareholders. RG 111 states that an offer is reasonable if it is fair.

7.1.2. Premium to the share trading price

Royalco's closing share price on 12 November 2019 is \$0.19. This share price is the last traded price prior to the announcement of the Takeover Offer.

The Takeover Offer represents a premium of 26.3% to Royalco's closing share price on 12 November 2019 and a premium of 20.0% to the daily VWAP for the month preceeding 12 November 2019, allowing shareholders to realise value for their shares in excess of the price at which they were trading before the period that the Takeover Offer is announced. This level of premium may not be available to Shareholders in the absence of the Takeover Offer.

7.1.3. Certainty of cash

The Takeover Offer represents an opportunity for Shareholders to receive certain value for their investment in Royalco free of any realisation costs at a significant premium that may not be available in the absence of the Takeover Offer.

7.1.4. Access to liquidity

Historically Royalco has been thinly traded and offers very low liquidity as evident by the 0.2% volume of issued capital traded over the 12 months preceeding 12 November 2019. The Takeover Offer provides Shareholders with a liquidity event in converting their Royalco shares to cash.

7.1.5. Opportunity to reinvest in similar investment opportunities

If the Takeover Offer is successful, Shareholders will be able to reinvest the cash proceeds in similar investment opportunities.

7.1.6. Offer price exceeds value in use

Currently Royalco incurs administration costs of c\$600k, leaving a cash operating margin of c\$200k. If we were to value Royalco in its current form including the administration costs, the value of Royalco shares would be significantly lower than the NTA and QMP values at Sections 5.1 and 5.2 of this Report. In order to increase the value of a Royalco share in its current form, Royalco would need to increase revenue from either the Week's royalty or the other five royalties over undeveloped assets would need to increase. Both of these events are uncertain.

7.2. Disadvantages

7.2.1. Tax consequences for Shareholders

The Shareholder may be liable for capital gains tax on the disposal of their shares. The capital gain is calculated as the value of the capital return less the shareholder's cost base of the Royalco share.

Shareholders should seek independent income tax advice in relation to the tax consequences of the Takeover Offer.

7.2.2. No exposure to potential upside in Royalco

Acceptance of the Takeover Offer (if it is successful) will result in Shareholders no longer owning Royalco shares and consequently, Shareholders will not benefit from any potential future profits and capital growth. Conversely, Shareholders will not be exposed to any potential future decline in Royalco's share price.



7.3. Other considerations

7.3.1. Independent Board Committee recommendation

The Independent Board Committee have recommended that Royalco Shareholders accept of the Takeover Offer, in the absence of a superior proposal.

7.4. Conclusion on reasonableness

Based on the above, we are of the opinion that the Takeover Offer is **REASONABLE** to Royalco shareholders.

8. QUALIFICATIONS, DECLARATIONS AND CONSENTS

8.1. Qualifications

BDO is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDO provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDO and a CA certified Business Valuations Specialist. Mr McCourt is also a partner of BDO East Coast Partnership. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 19 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Sebastian Stevens, B.Bus, CPA is a Director of BDO. Mr Stevens is also a partner of BDO East Coast Practice.

Mr Stevens is the Director responsible for the review of this IER. Mr Stevens has over 25 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

8.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

We consider ourselves to be independent in terms of RG 112 Independence of experts, issued by ASIC.

BDO was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Royalco in relation to the Takeover Offer. Further, BDO has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Royalco that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

8.3. Disclaimer

This IER has been prepared at the request of the Independent Board Committee and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Independent Board Committee and Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Independent Board Committee and Shareholders without our written consent. We accept no responsibility to any person other than the Independent Board Committee and Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Independent Board Committee, executives and directors of all the entities.

9. APPENDICES

APPENDIX 1: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

1. Fitzroy's Bidder's Statement
2. Royalco Annual Reports for years ended 30 June 2018 and 30 June 2019
3. ASX announcements
4. Information sourced from Capital IQ and MergerMarket
5. ASIC guidance notes and regulatory guides as applicable
6. Discussions with the Independent Board Committee
7. Discussions with advisors to Royalco
8. Other generally available public information

APPENDIX 2: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the FMV of Royalco, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (“DCF”) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (“NPV”).

DCF is appropriate where:

- the businesses’ earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a ‘start up’ or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor’s business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Asset Value

Asset based valuations involve the determination of the FMV of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business Shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- **Orderly realisation:** this method estimates FMV by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their FMV;
- **Liquidation:** this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their FMV; or
- **Going concern:** the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company’s assets will generally provide the lowest possible value for the business. The difference between the value of the company’s identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Quoted Market Prices

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

APPENDIX 3: GLOSSARY

Term	Definition
<i>APES</i>	Accounting Professional & Ethical Standards Board
<i>APES 225</i>	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
<i>ASIC</i>	Australian Securities and Investments Commission
<i>ASX</i>	Australian Securities Exchange
<i>AUD</i>	Australian Dollar
<i>BDO, we, us or our</i>	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
<i>Bidder's Statement</i>	Bidder's Statement dated 21 November 2019 prepared by Fitzroy River Corporation Limited
<i>COE</i>	Capitalisation of future maintainable earnings method
<i>Corporations Act or Act</i>	Corporations Act 2001 (Cth)
<i>DCF</i>	Discounted cash flow method
<i>Independent Board Committee</i>	Independent Board Committee of Royalco Resources Limited
<i>EV</i>	Enterprise value
<i>Fitzroy</i>	Fitzroy River Corporation Limited
<i>FMV</i>	Fair market value
<i>FOS</i>	Financial Ombudsman Service Limited
<i>FSG</i>	Financial services guide
<i>FYXX</i>	Financial year ended/ing 30 June 20XX
<i>IER</i>	Independent Expert Report
<i>NAV</i>	Net Asset Value
<i>NTA</i>	Net Tangible Assets
<i>Takeover Offer</i>	Fitzroy River Corporation Limited's Cash off-market takeover offer of \$0.24 per Royalco Resources Limited share
<i>QMP</i>	Quoted market price
<i>Report</i>	Independent Expert Report
<i>RG</i>	ASIC Regulatory Guide
<i>RG 111</i>	ASIC Regulatory Guide 111: Content of expert reports
<i>RG 112</i>	ASIC Regulatory Guide 112: Independence of experts
<i>Royalco</i>	Royalco Resources Limited
<i>Shareholders</i>	An individual who owns an interest in Royalco Resources Limited
<i>Target's Statement</i>	Target's Statement dated on or around 12 December 2019 prepared by Royalco Resources Limited
<i>VWAP</i>	Volume weighted average price